'LANDLORDS ARE TAKING BACK THE LAND': THE AGRARIAN TRANSITION IN VIETNAM

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ABSTRACT

This article applies the concepts associated with agrarian political economy to recent Vietnamese economic development. Differences in access to land that underpin transformation in rural relations of production are documented. Differences in the technical coefficients of production are also demonstrated amongst farms when grouped on the basis of size of land. The impact of these changes is demonstrated to be an impressive supply response, which suggests that dynamic productive efficiency gains have been fostered as a result of rural restructuring. Differences in the extent to which farm households, when grouped on the basis of expenditure quintiles, are integrated into markets, when considered alongside differential agrarian productivity, suggests that the benefits of rural restructuring are being inequitably distributed. Cumulatively, processes of peasant class differentiation appear to be underway in rural Vietnam.

1. INTRODUCTION

Over the course of the last 20 years, Vietnamese agriculture has shifted from a centrally planned economy to a market-led, state-regulated economy increasingly dominated by the logic of the law of value. This process is commonly described as constituting a 'transition' from 'socialism' to 'capitalism'. As a consequence, Vietnam is often grouped alongside the 'transitional economies' of central and eastern Europe, the former Soviet Union, Mongolia, China and Laos (see, for example, World Bank 1996). However, placing Vietnam in such a grouping is deeply problematic because it fails to accommodate the unique characteristics of specific transitions. As has been succinctly stated by two leading Vietnam scholars, 'the particular process of transition actually adopted, by creating capital and processes of accumulation, will have an important influence on the nature of the resulting market economy' (Fforde and de Vylder, 1996: 38).

It is insufficiently appreciated that classical political economy in general, and marxist political economy in particular, offers an analytical framework that allows an examination of the particularities of a transition from socialism to capitalism (for an exception, see Watts, 1998). This is because it offers an approach that can explain structural changes in the mode of production. In one of the most famous statements of historical materialism, from the *Preface to a Critique of Political Economy*, Marx argued that

> In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness…At a certain stage of their development, the material productive forces of society come into conflict with the existing relations of production, or—this merely expresses the same thing in legal terms—with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution…(Marx, 1998: 7)

Using this analytical framework, consideration of processes of transition between modes of production requires an examination of two sets of fundamental issues: transformation in the relations of production; and transformation in the forces of production. The former emphases the process under which surplus is produced, extracted, and controlled. The latter emphasizes processes that affect the rate of technological change, the organic

composition of capital, the volume of the surplus that is produced, and thus the rate of accumulation.

In terms of empirical analysis, the investigation of the transition between modes of production is perhaps most fully developed in agrarian political economy. Agrarian political economy has exhaustively investigated the transition from feudalism to capitalism in western Europe (Brenner, 1977; Hilton, 1990), the agrarian origins of capitalism in the United States and Japan (Byres, 1996, 1991), as well as the agrarian constraint to economic development in late industrializing and poor economies (Brenner, 1986). This article therefore uses the concepts and methodologies of agrarian political economy to explore and illuminate the agrarian transition to capitalism in Vietnam. While this article is not the first to attempt to use agrarian political economy to examine transition in Vietnam (see, for example, Watts, 1998), previous efforts focus on the period up to the mid-1990s. This article is the first to attempt to apply the concepts associated with agrarian political economy to more recent Vietnamese economic development. The article is structured as follows. Following this introduction, section II critically interrogates concepts of transition. Section III examines at length the process of agrarian transition in Vietnam since the late 1970s, and documents the outcome of this process for agricultural production, agrarian accumulation, and rural politics. Differences in access to land that underpin transformation in rural relations of production in Vietnam are documented. Differences in the technical coefficients of production are also demonstrated amongst farms when grouped on the basis of size of land. The impact of these changes is demonstrated to be an impressive supply response, which suggests that dynamic productive efficiency gains have been fostered as a result of rural restructuring. Differences in the extent to which farm households, when grouped on the basis of expenditure quintiles, are integrated into markets, when considered alongside differential agrarian productivity, suggests that the benefits of rural restructuring are being inequitably distributed. Cumulatively, processes of peasant class differentiation appear to be well underway in rural Vietnam. Section IV offers some conclusions.

2. CONCEPTUALIZING TRANSITION PAST AND PRESENT

'Transition' is now a very widely used word in economics. However, like 'sustainability', the meaning attached to the word can be very difficult to pin down. According to the World Bank (1996: 1, 4-5)

> the long-term goal of transition is…to build a thriving market economy capable of delivering long-term growth in living standards…[S]ystemic change [is] involved: reform must penetrate to the fundamental rules of the game, to the institutions that shape behavior and guide organizations. This makes it a profound social transition as well as…a passage from one mode of economic organization to a thoroughly different one…[It] must unleash a complex process of creation, adaptation, and destruction.

This approach appears to offer a perspective rooted in institutional and evolutionary economics. Appearances are deceiving. In practice both the World Bank and the International Monetary Fund (IMF) have remained resolutely neoclassical in their approach to transition. Borrowing from the experience of structural adjustment programs in Latin America in particular (Lavigne, 1999: 277), the two institutions have emphasized four components of transition (IMF, 2000). The first component is liberalization, encompassing both dramatic reductions in barriers to international trade and internal market de-regulation. This is done in order to ensure that domestic prices are determined in national and international markets. The second component is macroeconomic stabilization, which is needed to tame the inflation set off by liberalization. Stabilization requires strict control over the government budget, in order to minimize deficits, severe restrictions on the growth of money and credit, and reform of the capital account in order to stabilize the balance of payments at a sustainable level. The third component is the restructuring of production and finance through privatization, so that goods and services that are capable of being sold in functioning national and international markets are produced. The fourth component are the legal and institutional reforms necessary to redefine the role of state so that it enables markets, rather than restricts them, and the concomitant establishment of the rule of law.

Clearly, for the Bretton Woods institutions, neoliberal economic rationalism continues to structure their conceptualization of transition. However, just as the economics of adjustment can be seriously questioned (Cornia, Jolly and Stewart, 1987; United Nations Economic Commission for Africa, 1989; Tarp, 1993; Taylor, 1991, 1996), so too can the 'orthodox' economics of transition. The cut in domestic demand suggested by macroeconomic stabilization can have severe consequences on growth processes, while the supply

response that was supposed to be forthcoming from liberalization, privatization and the compression of the state has, in many instances, been illusory (Lavigne, 1999). As a consequence, many economies in transition have become caught in low growth 'traps'. The reason for this is clear. Too many vocal economists have offered policy advice that is based upon trying to construct an idealized end state witnessed only in neoclassical economics textbooks. Far, far less attention has been paid to those economists that have focused upon the distorted pattern of development currently witnessed in many economies during the transition process. Focusing upon the current distortions of 'actually existing transition' rather than the envisaged end results produce a very different analysis, and a very different set of policy recommendations. Current distortions largely reflect the profound 'structural rigidities' (Spoor and Visser, 2001: 3) witnessed in transitional economies. In particular, transitional economies often witness the partial absence of the complex web of social relations and institutions necessary for the fully formed emergence of capital, for the production of surplus value, and for the realization of exchange-value. It is not so much that institutions must be reformed, as suggested in the quote above; rather, the social relations necessary to foster the emergence of key institutions are incomplete, and as a consequence the institutions do not exist. This absence is 'often more important than the structure of relative prices' (Spoor and Visser, 2001: 3).

The importance of the web of social relations necessary for the capitalist mode of production can be highlighted by the emphasis usually offered to the role and extent of the market as an indicator of the extent of transition. For example, Fforde and de Vylder (1996: 34) define transition as 'the establishment of an economic system in which the typical transaction in based upon voluntary exchange between independent producers and consumers'. The problem with this type of emphasis is that market exchange is predicated upon the production of commodities for exchange (Sawyer, 1993). This in turn suggests that understanding the process of transition requires understanding not so much the terms and conditions governing exchange as rather the social processes that structure the production that is necessary prior to an exchange taking place. As is stressed in marxist political economy, the social processes that structure production can be reduced to two essential phenomena. The first is the private ownership of productive assets and, more particularly, an ongoing process of differentiation of asset ownership between those with large quanti-

ties of productive assets and those with limited quantities of productive assets. The structure of asset ownership determines class location, the capacity to extract surplus, and in so doing results in the establishment of a set of relations of production predicated upon exploitation. Moreover, asset differentiation can allow some agents to 'regulate' the market (Bernstein, 1996). The second is a structural shift in dynamic productive efficiency, which indicates an unleashing of the development of the forces of production and which thus serves as the foundation upon which sustained accumulation is facilitated. Unleashing the forces of production can allow capitalist enterprises to generate higher profits even in 'regulated' markets. This is because markets act as a coercive discipline upon capitalist production, forcing enterprises to cut unit costs, enhance innovation and invest if they are going to retain market share. Of course, enhancing dynamic productive efficiency is contingent upon differentiated control of productive assets so that capital can utilize the dominant relations of production to capture the benefits of developments in the forces of production. Thus, while the dominance of markets in resource allocation may be a necessary condition of transition, it is in no way a sufficient condition of successful transition. The sufficient conditions of successful transition are a transformation in the relations of production and an unleashing of the forces of production.

Marxist political economy was primarily developed to explain industrial economies, and the general emphasis on the articulation of relations and forces of production appears salient to transitional economies whose structure is, to a greater or lesser degree, industrial. What however of poorer agrarian transitional economies? Does the general analytical framework of marxist political economy have relevance for a poorer agrarian economy such as Vietnam? The answer is a resounding 'yes'. Agrarian political economy offers a guide, in the form of the insights that it has derived from the investigation of the transition from a pre-capitalist mode of production to capitalism. These insights deepen the understanding of the processes that facilitate transformations in the relations and forces of production in a comparatively poorer agrarian economy.

In agrarian political economy the occurrence of 'those changes in the countryside of a poor country necessary to the overall development of capitalism' (Byres, 1996: 27) is defined as an 'agrarian transition'. Byres stresses interrelated changes in three sets of social processes in particular if an agrarian transition is to succeed: production; accumulation;

and politics (Akram-Lodhi, 1998). Changes that may or may not affect the structural transformation of petty commodity producing peasant labour into its commodified form, labour-power, through both the restructuring of rural labour processes and processes of peasant class differentiation clearly affect production. So too does the shift, contingent on the commodification of labour into labour-power, from the petty commodity production typical of peasant farming to generalized commodity production, as the latter is a precondition of the production of surplus value (Lenin, 1968). Changes in the production system can thus both effect and reflect deeper transformations in the relations of production and the forces of production. Moreover, changes in production affects the capacity of agriculture to supply a net marketed surplus to meet the resource costs of industrialization, the ways by which such a surplus can be appropriated, and the ease with which such an appropriation may occur. Thus, changes in production, in that they effect and reflect transformations in the relations and forces of production, clearly affect accumulation. Changes in production and in accumulation at the same time have implications for rural politics, because the focus of rural politics is usually production and accumulation (Akram-Lodhi, 2000a). Thus, in terms of production, accumulation, and politics agriculture has the capacity to constrain structural transformation and economic development by acting as a fetter upon the metamorphosis of the relations and forces of production. The eradication of this constraint unleashes agrarian transition and creates the preconditions upon which the capitalist mode of production can become dominant in a social formation.

From the above discussion, marxist political economy offers five 'parameters of transition' that can be investigated for a poorer, agrarian economy such as Vietnam. The first parameter is the differentiation of productive assets that, in a poorer, rural economy will mean, to a large extent, land. The second, related, parameter is the extent to which the organization of the production process sustains the emergence of generalized commodity production, as this is the precondition of the production of surplus value. The third parameter is a structural shift in dynamic productive efficiency, as such a shift may be indicative of seismic changes in the forces of production. The fourth parameter is the process of accumulation unleashed by these changes in the production system. The fifth parameter is the development of rural politics that will, to a large extent, reflect and effect changes in production and accumulation.

Differences between poorer, agrarian transitional economies can thus be expressed in terms of differing degrees of changes in each of the five parameters, along with the way in which the parameters articulate with each other. As will be demonstrated in this article, in Vietnam the differentiation of productive assets has been accompanied by a still yet to be completed shift to generalized commodity production across a significant number of farms. Changes in the technical coefficients of production have brought about dynamic productive efficiency gains, but it remains to be seen whether dynamic productive efficiency has improved so much as make the possibility of a structural shift plausible. Despite this doubt, the transformation in the relations of production and the impact of such a transformation on the forces of production have unleashed accumulation, in the form of a historically unparalleled supply response. At the same time however these processes of rural restructuring have dispossessed a significant number of those in the rural economy, and has, as a result, galvanized rural politics in a way not witnessed for decades. Moreover, these processes have been well established for more than a decade. Vietnam thus appears to be a case of an emergent if contingent agrarian transition to capitalism, although in that it is not yet clear whether there has been a structural shift in dynamic productive efficiency such a conclusion must be deemed to be provisional. It is to substantiating this argument that the article now turns.

3. AGRARIAN TRANSITION IN VIETNAM, 1975-2000

3.1 Collective agriculture and agrarian crisis, 1975-1979

Vietnam's post-unification agrarian structure was built upon an extensive collectivization campaign conducted in the north of Vietnam between 1958 and 1960 and in the south of Vietnam between 1976 and 1978 (Que, 1998). Collectivization transformed two very different agrarian structures. In the north, collectivization transformed colonial agriculture and its reliance upon 'fragmented holdings, small-scale petty commodity production and households increasingly compelled to sell wage labour in order to survive' (Watts, 1998: 465). In the south, collectivization was not confronting colonial agriculture, with its 'export oriented landlord class reproduced through tenancy and sharecropping relations…and…a large rural proletariat (Watts, 1968: 466). Rather, collectivization sought to transform a production system that had already been changed through two agrarian re-

forms, in 1956 and 1970. These reforms substantially reduced land concentration by reducing both the amount of land in the hands of landlords and reducing the number of landless, so that the majority of farmers were classified as 'middle peasants' in the early 1970s (Watts, 1968: 468). Thus, 'the state confronted two very different agrarian universes (Watts, 1998: 470). In principal, collectivization was meant to unify these two different structures into a coherent whole. In practice, such did not happen.

Following unification and the collectivization drives there were, by 1979, across Vietnam, some 232 state farms that produced export crops and were responsible for 11.6 per cent of agricultural production. However, the state farm sector only accounted for 0.1 per cent of staples production (Fforde and de Vylder, 1996: Table 3.3). The key economic unit in collective agriculture was instead the co-operative, which grouped labour into production brigades expected to collectively farm crops and animals using means of production provided by the state. The co-operative managed resource allocation decisions, production and distribution in accordance with the material targets of the State Planning Committee. As an overriding target, the State Planning Committee sought to promote district-level self-sufficiency in the principal agricultural use-value, rice, a policy that, to some degree, restricted the extent of commodification in the economy. Nonetheless, within co-operatives peasants were allowed to retain small personal plots amounting to no more than 5 per cent of the total area of the co-operative. Some of the output of these plots, along with the surplus production of the co-operative, entered the heavily regulated public and private markets that were allowed to operate as exchange-values. The co-operative was also responsible for the provision of social services (Men, 1995).

Co-operatives sought to mimic the division of labour found in industry by establishing a complex list of tasks and complementary inputs needed to meet output targets, and by establishing the basis upon which labour was remunerated. As a consequence, members of co-operatives were entered into two different types of production brigades, in which they were expected to work between 24 and 26 days a month and 8 hours a day (Men, 1995: 25). The first was the basic production brigade. Often consisting of women workers and older workers, basic production brigades performed much of the less specialized manual labour necessary for production to proceed. By way of contrast, specialized production brigades (*ba khoan*), often consisting of male workers and young workers, per-

formed more skilled tasks such as irrigation, fertilizer production and application, and plant protection. Basic production brigades worked according to three contractual quotas. The first was a production outlay contract, which stipulated the inputs available for production. The second was a work points contract, which stipulated the work points given for different types of jobs. The third was an output contract, which stipulated the amount of output that was required to be produced. The production brigade would then subcontract the quotas to smaller teams of labourers, families and households. Basic production brigades that exceeded their work point and output quotas were allowed to retain between 80 and 100 per cent of the excess. However, if the brigade failed to fulfil their quota they were still responsible for providing between 50 and 70 per cent of the deficit (Men, 1995: 29-30). Basic production brigades were paid on the basis of the amount of time spent working. Specialized production brigades accrued work points that paid them according to both the quantity and the quality of the work that was performed. Notwithstanding these differences, however, incomes were fairly uniform, with payment being proportional to work points. In some areas, incomes were paid exclusively in kind, and the rate of remuneration was set at a minimum of 13 kilos of paddy per month and a maximum of 18 kilos of paddy per month (Que, 1998: 21-22). In other areas, labour was paid in cash while at the same time receiving a stipulated food quota (Men, 1995: 33). The productive structure, along with the local autonomy afforded local leaders, allowed co-operatives to isolate themselves from the wider economy, which in turn made it difficult to make appropriate economic decisions (Fforde and de Vylder, 1996: 184).

In 1979 the average size of a co-operative in the north of Vietnam was 202 hectares, on which an average of 378 households lived and worked (Que, 1998). This average however masked wide variation: in some areas, co-operatives were in excess of 1000 hectares. Almost 97 per cent of rural northern Vietnamese households belonged to the 4151 co-operatives that were in existence. However, the commitment of individuals to the co-operative agrarian structure in the north of Vietnam was, at best, weak, in large part because of lingering discontent with the organization of the production system, which performed quite poorly and which was thus responsible for at best stagnant living standards (Fforde, 1989; Beresford, 1990; van Arkadie, 1993). For example, although rice yields improved in North Vietnam following the collectivization drive, yield levels failed to once

again reach those recorded in 1958 until the early 1970s, and North Vietnam remained dependent upon imports of rice right through the years of the American War (Watts, 1968: 469). Based upon interviews with farmers in the north, discontent with the organization of the production system has been summarized by Kerkvliet (1995: 68) as resulting in 'little or no incentive to work diligently nor disincentive to farm poorly'. Certainly, the incentive structure of collective agriculture tied output to brigades rather than individuals, resulted in low prices for farm output produced in excess of the quota, offered consumer subsidies that devalued the outcomes of collective labour, and promoted an overvalued exchange rate that encouraged imports (Men, 1995: 39). As a consequence, work in rice production was devalued, which in turn encouraged cultivators to shift their limited resources into either higher return activities—thus further depressing rice output—or less controlled activities.

As a result, it is not surprising that anecdotal evidence suggests that collective agriculture was generating quite perverse productivity outcomes. Watts cites a study of 21 districts that suggested a drop in productivity of between 178 and 323 kilos of paddy per crop between 1970-74 and 1977 (Watts, 1998: 469). A widely quoted field survey of 307 co-operatives in the Red River Delta of northern Vietnam conducted in 1979 found that the smaller the co-operative the greater the rice yields per hectare, the income per hectare, the value of marketed food crops per hectare and the value of an undefined 'net surplus' per hectare. The data is presented in Table 1. Similarly, official sources suggested that the personal plots operated by the members of co-operatives, holdings that legally accounted for 5 per cent of the cultivated area, produced more than 60 per cent of all rural household income. On the other hand, the 95 per cent of the cultivated area allocated to the co-operatives produced just over 30 per cent of all rural household income (Men, 1995: 33).

The weaknesses of the collectives were long recognized amongst peasants and local cadres of what is now known as the Communist Party of Vietnam (CPV). Indeed, in North Vietnam there had been local attempts to reform the collective system dating back to the 1960s. The structure of social control facilitated these experiments: there was a high degree of local autonomy, and local political leaders were rarely centrally appointed (Fforde and de Vylder, 1996: 84). Most of these attempts involved discretely devolving responsibility for some aspect of the production process directly to farm households. Kerkvliet (1995: 69-70) documents the contracting of pig farming to households, as well as land that was

not being used for rice production being contracted out to households that paid for the use of the land and produced what they wanted. At their most developed, these experiments at altering rural relations of production witnessed households being contracted to produce rice (see Kerkvliet, 1995: 90, fn 11). Experiments were often done without official approval, a practice known as 'sneaky contracts' (*khoan chui*). However, at times, the experiments received official sanction. For example, in the late 1960s the highest-ranking Party official in what is now Phu Tho province had allowed limited family-based farming using household contracts, until he was censured by the government and removed from his post (Fforde and Porter, 1994; Kerkvliet, 1995: 70).

One later experiment in the effort to alter the relations of production of collective agriculture became particularly well known. In 1977 and 1978 in Do Son district near Haiphong household contracts were introduced by a co-operative (Kerkvliet, 1995: 70; Men, 1995: 42; Que, 1998: 32). Under these contracts, households received land from the co-operative for the cultivation of rice. Once the household fulfilled its quota obligations to the co-operative, it was allowed to retain the surplus as either a use-value or an exchange-value. The household was also encouraged to reclaim wasteland, and work this land for themselves, retaining the entire output. The results were so impressive that in 1980 the authorities in Haiphong instructed all agricultural co-operatives to adopt the new relations of production, a reform that served as a prelude to countrywide reform in the 1980s.

If the support for co-operative agriculture in the north of Vietnam was much weaker than is often supposed, following unification and the collectivization drive access to land in southern Vietnamese agriculture did not change as much as might be thought. According to a survey (quoted in Watts, 1998: 470) in southern Vietnam in 1981 25 per cent of rural households were landless. Some 56 per cent of farms were 'middle peasants', in control of 60 per cent of the operated area. Some 12 per cent of farms were 'upper middle peasants', controlling 27 per cent of the land, regularly renting out farm equipment and machinery, and regularly hiring in labour. Some 2 per cent of farms remained as rural capitalists, controlling 7 per cent of the land and owning more than 50 per cent of all agricultural machinery and equipment and livestock. This rural differentiation, based primarily on the control of non-land means of production, mirrored the pre-unification agrarian structure. US-inspired land reforms in 1955 and 1956 had restricted levels of rent and set a

ceiling on land ownership of 100 hectares. These reforms were followed by land redistribution in 1970, which resulted in more than 60 per cent of farmers being classified as 'middle peasants' in the early 1970s (Watts, 1998: 468). In the context of what was clearly a relatively egalitarian distribution of land, agriculture in southern Vietnam witnessed the extensive production of exchange-value for the market. Modern seed varieties, chemical fertilizers and modern machinery were widely used (Que, 1998: 26; Dacy, 1986), the adoption of which was often supported by US official development assistance (ODA). Having said that, there were productivity problems in southern agriculture, often as a consequence of US ODA in fostering inappropriate technical change (Dacy, 1986: 73-77).

In this light, it is clear that attempted collectivization in southern Vietnam following unification was not particularly successful. In 1979 in southern Vietnam there were only 272 co-operatives, and in 1980 only 24.5 per cent of farm households belonged to a co-operative. At the same time, these figures conceal regional variations. In the central coastal regions, by 1980 84 per cent of agricultural households had joined co-operatives, in which land, animals and other means of production were collectively owned and basic production teams established to perform agricultural tasks. By way of contrast, by 1980 in the Mekong Delta only 1.7 per cent of farm households had joined co-operatives. Moreover, it would appear that some co-operatives in southern Vietnam listed as such in official reports did not exist in actuality, with farmers continuing to farm their own individual holdings under the guise of a notional 'co-operative' (Kerkvliet, 1995: 69; Que, 1998: 32).

The impact of the attempted collectivization in southern Vietnam on the agrarian structure was thus, at best, limited. Where attempted collectivization did have an impact was on farm productivity. Although attempted collectivization in the south lacked the coercion experienced in the north in the late 1950s, it remained the case that efforts by the state to force some households into co-operatives resulted in a petty commodity production becoming increasingly squeezed. Procurement quotas were particularly resented, and served to reinforce declines in production witnessed during the period of the American War (Dacy, 1986: 73-4). Indeed, rice yields in southern Vietnam fell by 25 per cent between 1976 and 1980. At the same time, while farms that were not members of co-operatives were able to hold onto their machinery and livestock they were forced to contract the use of such inputs to the co-operative at administratively-determined prices that

had a negative impact on incentives. This resulted in yet lower farm production and productivity. As a consequence, an increasing amount of land was left fallow and many farm households 'retreated' into subsistence farming predicated upon the singular production of use-values.

In the latter half of the 1970s, when efforts were made to establish a collective agrarian structure across Vietnam, there was a precipitous decline in per capita foodgrain availability as real agricultural output per capita fell by 1.5 per cent per annum between 1976 and 1979. This decline is illustrated in Figure 1. This occurred despite the sharp rise in foodgrain imports demonstrated in Figure 2. The reasons for this decline have already been suggested. In particular, the negative consequences of perverse productivity outcomes in co-operative agriculture were but reinforced by productivity declines in non-co-operative agriculture in southern Vietnam. Productivity was, in large part, a function of the incentive structure facing co-operative and non-co-operative agriculture. In particular, repressed procurement prices led to a procurement crisis. Between 1976 and 1979 state procurement fell from 2 million tons to 1.4 million tons, with falls of 60 per cent being experienced in the Mekong Delta (Watts, 1998: fn 23). This happened because an increasing proportion of output produced by farmers outside the dictates of the work brigade was marketed through private 'unorganized' markets, as opposed to state trading companies. This was done simply because private markets offered prices ten times that of the state sector (Fforde and de Vylder, 1996: Figure 4.1). There was thus what Fforde and de Vylder (1996: 129) describe as a 'distributional tension' between an increasingly squeezed state and rural producers. At the same time, incentive problems were compounded by a lack of consumer goods that could be directed into agriculture as incentive goods. Finally, the inefficient management of co-operatives reinforced incentive problems, which in part was a result of a lack of trained managers. Inefficient management at least is a partial explanation as to why in June 1978 it was reported that the average length of a collective working day was only 4 to 5 hours (Men, 1995: 33). Households used the extra time to farm the small plot allocated to it by the co-operative, producing both use-value and exchange-value. Indeed, on many co-operatives households began to encroach upon collective land in order to expand the size of their small plot, selling their surplus on the free markets that legally existed. They did this by entering into arrangements with the co-operative in which the co-

operative would supply more land for private cultivation in exchange for the fulfillment of production quotas (Jansen, 1998: 2). Thus, during the 1970s, there is evidence that in parts of the country the actual amount of co-operative land used by households for their small plots ranged from 7 to 13 per cent of the co-operative area. This proportion was well in excess of the legal maximum of 5 per cent (Kerkvliet, 1995: 69). Moreover, households tended to prioritize the allocation of scarce resources to their plots, which had the effect of further enhancing their productivity (Fforde, 1989). In a sense then the failures of the co-operatives in the late 1970s led many of their members to adopt informal responses that further undermined the co-operatives.

While the emphasis on the incentive structure and productivity outcomes of collective agriculture may explain part of the reason why agriculture fell into crisis, it is not a complete explanation. It is also necessary to stress that in the period between 1976 and 1980 there was an inadequate amount of investment in agriculture. In the period between 1976 and 1980 the share of agricultural investment in total state investment was 20 per cent (Fforde and de Vylder, 1996: 129). While seemingly substantial, this investment followed a period of prolonged conflict, which necessitated the rebuilding of rural physical infrastructure and rural production capacity in a country that was, after all, predominantly rural. It can also be noted that some investment had to be used to offset the consequences of a series of natural calamities in the late 1970s. It should further be stressed that some of that which was categorized as productive investment was in fact the replacement of machinery for which depreciation funds had not been set aside for maintenance and repair, because the incentive structure of central planning prioritized new purchases over maintenance. These ‘new investments’ were thus merely replacements for existing capital stock. Finally, much of that productive investment that did take place in agriculture—such as, for example, in irrigation in the Red River Delta—took some time to come on stream and have an impact on production and productivity. The consequence of inadequate investment in agriculture was that in many parts of the country the productive capacities of the sector deteriorated in the late 1970s. Inadequate levels of investment also meant an absence of resources to purchase relatively newer agricultural technologies and modern inputs. In any event, newer technologies and modern inputs had to be imported, and the US trade embargo, the Vietnamese intervention in Cambodia, and China’s invasion of the north of

Vietnam restricted the ability of the country to import because of the large cut in foreign aid. In so doing, these events further contributed to the agrarian crisis. Of course, the absence of the acquisition of new technologies restricted the development of economies of scale (Beresford, 1985: 11-20).

By 1980, the food crisis demonstrated in Figure 1 had festered into an agrarian crisis that threatened to become systemic. The success of local initiatives to alter the relations of production of collective agriculture by ignoring the existing rules, colloquially called fence breaking (*pha rao*), demonstrated two interrelated points. The first was that intra-sectoral reallocations of factor inputs had the potential to increase production and productivity. There was, to use Fforde and de Vylder's (1996) phrase, 'plan distortions' that resulted in an under utilization of existing resources; a reduction of these distortions would have the effect of freeing up resources for increasing production. Second, as a consequence, changes in rural social relations could emerge from within the inadequacies of collective agriculture as peasants sought to reshape the organization of production. These reasons, along with the clear success of local initiatives, encouraged the CPV to begin a process of rural restructuring that ultimately decollectivized agriculture. Consistent with the understanding of transition elucidated above, decollectivization transformed the agrarian structure by fundamentally reconfiguring relations of production and thus the production process, fostering rates of agrarian accumulation unparalleled in modern Vietnamese economic history. With these processes came peasant class differentiation and the re-emergence of rural politics, a rural politics that had been suppressed by the government in the aftermath of the struggle for unification. It is to these processes that the article now turns.

3.2 The decollectivization of land in the 1980s

Appendix Table A1 documents the extensive set of changes to agrarian relations undertaken in Vietnam since 1979. These changes cover tenurial arrangements, access to inputs, resource allocation decisions, output marketing and taxation. They have thus fundamentally transformed rural relations of production, replacing central planning with state guided, but nonetheless market-based commodity production. Of these reforms, probably

the most important are Resolution 10 of 1988, the 1993 Land Law, and, perhaps, Resolution 6 of 1998.

The 'first wave' of agrarian reform took place between 1981 and 1987 (Men, 1995: 42). During this period, household contracts, which allocated land to farms based upon the size of their adult workforce in exchange for the delivery of an output quota at a fixed price (*khoan san pham*), spread throughout the country, under the aegis of Directive 100 of 1981. Directive 100 established output contracts between farmers and co-operatives. The co-operative would supply inputs for production to proceed, and work teams would continue to be allocated for land preparation, irrigation and input distribution. However, crop management was devolved onto the farmer. Contracted output was based upon average production over the previous three years. This output had to be sold to the state at a fixed price. However, any output produced in excess of the contract could be retained for consumption or could be sold to private traders. Directive 100, by allowing farmers to retain output in excess of their stipulated quota commitments, restructured incentives in order to emphasize the outcome of the production process. By allowing households to privately market their production in excess of the quota, Directive 100 also expanded the commodification of agriculture that had previously been largely restricted to the marketing of agricultural exchange-value produced either as surplus to quota or on household plots. As a result of these reforms, aggregate output, and more especially yields, started to play a bigger role in economic decision making in agriculture. However, Directive 100 did not undermine the role of the co-operative or its management. The co-operative still remained responsible for the provision of inputs, and in so doing dictated the choice of technique. It still retained control over the choice of output. It still provided certain essential agricultural tasks, using work teams that garnered work points. It continued to be liable for the marketing of quota procured output. Indeed, the exactions of the system for farm households in some ways increased, in that CPV cadres started demanding large proportions of grain output to pay local taxes (Watts, 1998: 473). In this light, it is not surprising that rural labour mobilization into production increased. In particular, as a result of the change in the structure of incentives the workload of women appeared to increase (Allen, 1990).

Directive 100 did nothing to move towards market-based prices, for either inputs or outputs. Thus, it did little to establish the law of value in rural Vietnam. Indeed, Directive

100 was, if anything, an attempt to improve the efficiency of co-operatives (Fforde and de Vylder, 1996: 134) and as such had very little impact on largely uncollectivized southern agriculture. In a real sense then, following Directive 100 the dominant set of relations of production witnessed in rural northern and central Vietnam saw co-operatives still engaged in the hiring of labour to work land, albeit under somewhat different terms and conditions. Watts (1998: 471) goes so far as to argue that the reform resulted in the production of sharecroppers, as producers faced quota obligations without security of tenure or the ability to market.

The result of Directive 100, as demonstrated in Figure 1, was an initial boost to production, and an attendant increase in real incomes. However, once these one-off static efficiency gains were achieved, there was another sharp drop in per capita foodgrain availability in the mid-1980s. There was growth in the livestock sector, which was predominantly family controlled, and thus peasant agriculture continued to expand. Nonetheless, the failure of the first reform to bring about sustained growth in output and in yields was in part already recognized by 1982, when, at the 5th Congress of the CPV the economic interests of the family were recognized as not only legitimate but equal to the economic interests of the state and the collective. This recognition served as a precondition to the decision to abandon collective agriculture, and this decision was the impetus behind Resolution 10.

Resolution 10 fundamentally restructured the agricultural sector by formally decollectivizing agriculture and in so doing reestablishing peasant family farming as the dominant mode of rural economic organization in Vietnam. Resolution 10 restructured agriculture by recognizing, for the first time, the primacy of the farm household as the basic economic unit of the rural economy and relegating co-operatives into the role of supporting farm households. Thus, the relations of production were restructured, and this in turn facilitated a reconfiguration of the rural labour process and hence rural production. Indeed, one aspect of Resolution 10, a resolution that originated within the agriculture department of the CPV, was that orders from above could not be issued to co-operatives. This ended central planning in the rural economy, and as a result some 50 per cent of the party cadres that depended upon the co-operatives for their position lost their jobs (Fforde and de Vylder, 1996: 157). It is of more than passing interest to note that Truong Chinh, who wrote on Vietnam's 'peasant question' in the 1930s, who was the architect of collectiviza-

tion in the north of Vietnam in the 1950s, and who was an opponent of the fence-breaking experiments of the 1970s, had, by 1986, come to support the shift to peasant family farming (Langguth, 2000: 94-95; Fforde and de Vylder, 1986: 165, fn 29).

In order to carry through this restructuring, co-operatives were obliged to fully contract out land to farm households for 15 years for annual crops (*khoan muoi*) and 40 years for perennial crops. Although the terms of land allocation varied across Vietnam, in most instances land was allocated on the basis of the size of the family. As a consequence, in a relatively short period of time a relatively egalitarian distribution of land was introduced across the country as peasant family farming emerged from within the ruins of central planning. Indeed, it has been little remarked that in establishing a peasantry based upon a 'modified Chayanovian (household demographic composition) principle' (Watts, 1998: 483) across Vietnam, the state succeeded in its 1975 aim of establishing a reasonably uniform agrarian structure across the country. That structure, however, replicated non-co-operative southern Vietnamese agriculture across the country, not co-operative northern agriculture. In generalizing the agrarian structure of southern Vietnamese agriculture across the country, Watts notes that land was often restored to its former owners, including landlords. Some instances occurred where, as a result of land titling, some who had been farming under the co-operative agrarian structure became landless (Watts, 1998: 471). It was a very different outcome than that envisaged by the CPV in 1975.

With decollectivization, capital stock, working capital and other means of production were no longer controlled by the co-operatives. Instead, co-operatives retained ownership of capital stock, working capital and other means of production, but were obliged to rent it out to farm households. Moreover, farm households were allowed to buy their own capital stock and working capital irrespective of the supply available from the co-operative. They could thus buy and sell animals, equipment and machinery. At the same time, the work point system, which had been retained under Directive 100, was eliminated and replaced by cash payments. All told, the relationship of peasants to the means of production was fundamentally transformed by Resolution 10.

In addition, output quotas are retained, but significantly reduced, allowing farm households to keep a minimum of 40 per cent of average output and in so doing greatly expand the scope for the production of agricultural exchange-value. Households that did

not meet the quota had to compensate the co-operative in cash or in kind, at the market price. The quota was fixed for 5 years, bringing a degree of certainty to farmers that had hitherto been lacking. Farmers also had to pay agricultural taxes equivalent to an average of 10 per cent of annual output. Finally, and importantly, private sector food marketing was accepted by the state. This also had the consequence of expanding the scope for the production of exchange-value, and indeed by 1993 one survey indicated that only 1.7 per cent of peasants were selling directly to the state (Watts, 1998: 474). This acceptance was given greater force in 1989 when, as indicated in Appendix Table A1, quota procurement was ended, price controls ceased, and internal and external trade were, to differing degrees, further liberalized. The consequence of this was that, for the first time since 1980, the share of the private, or 'unorganized', sector in retail trade started to increase (Fforde and de Vylder, 1996: Figure 3.13). The liberalization of 1989 thus contributed to a further deepening of the commodification of economic activity.

The 1993 Land Law built on Resolution 10 by extending land tenure to 20 years for annual crops and 50 years for perennial crops. While households were limited to 3 hectares per farm for annual crops in the Red River Delta and 5 hectares per farm for annual crops in the Mekong Delta, for the first time the exchange, transfer, lease, inheritance and mortgaging of land use rights was permitted, thus effectively commodifying land. This deepening of rural property rights was in fact a necessary response to changes on the ground, where, following Resolution 10, a land market quickly developed in secret in much of the country. Indeed, some evidence suggests that land transactions were common prior to 1993 (Khiem, 1996: 27), which, given high land labour ratios, particularly in the Red River Delta, might be considered surprising. In order to facilitate the development of the land market in the wake of the 1993 Land Law, a process began of issuing farm households with land use certificates. While assignation of land use certificates proceeded very slowly, by 1999 over 10 million households had received certificates for agricultural land, representing about 87 per cent of agricultural households and 78 per cent of the agricultural land in Vietnam (ANZDEC, 2000: 25). As will be demonstrated below, the issuing of certificates generated controversy at the local level. It also fomented corruption, in that People's Committees were given the power to resolve disputes about land allocations and titles. Finally, the 1993 Land Law reduced agricultural land use tax from an average of 10 per cent

of annual output to 7 per cent of annual output. Perennial crops farmed on newly reclaimed land were exempted from tax. To offset the decline in tax rates, high rates of taxation were imposed on land transfers (Khiem, 1996: 28).

Resolution 6 of 1998 was designed to intensify the commodification of land even though it did not go so far as to establish an officially recognized land market in which individual property rights could be transferred. Nonetheless, it was so controversial that the Politbureau of the CPV was unable to reach an agreement on it and the National Assembly at first refused to pass the changes in the land law suggested by it (*Far Eastern Economic Review*, 10 December 1998). Therefore, much of Resolution 6 has yet to be formally implemented, although in February 2000 the state reaffirmed its commitment to its implementation (*Vietnam Economic Times* March 2000) and, perhaps most importantly, revisions to the Land Law in 1998 did contain some of the key provisions of Resolution 6. The reason for the controversy surrounding Resolution 6 is that it lifted the legal limitation that restricts farm size. This restriction was enacted in order to ensure an equitable distribution of land amongst all peasants, and thus to prevent both land accumulation and land speculation. As a consequence of Resolution 6 and the 1998 Land Law, it became possible to lease, transfer and accumulate land in excess of previous legal ceilings, depending on particular local conditions. The informal land market, particularly in the south of Vietnam, has deepened considerably as a result of Resolution 6 and the 1998 Land Law. Indeed, one member of the Politbureau has gone so far as to say that farmers who work the land of others make more money than if they only work their own plots. This suggests that some senior elements of the CPV approve of extending the role of land rental in the agricultural sector, and indeed of the return of landlord tenant relations in agriculture (*Far Eastern Economic Review*, 10 December 1998).

At the same time, Resolution 6 removes all legal restrictions on the hiring of farm labour. Although labour hiring started to become common in rural Vietnam in the early and mid-1990s, there had been quite stringent rules that, in theory, restricted the commodification of rural labour and the establishment of a rural labour market. These rules had been flouted; indeed, Watts (1998: 484-5) astutely notes that formal restrictions on the land market had the effect of promoting the informal labour market because smaller families with high consumer-worker ratios engaged in rice production would have had to hire la-

bour during tight peak periods. Thus, even in the mid 1990s the World Bank offered evidence that 32.5 per cent of rural households hired labour. There were regional variations: only 14.5 per cent of rural households in the Red River Delta hired labour, but 70 per cent of rural households in the Mekong Delta hired labour. There were also wealth-based differences in labour hiring: 30 per cent of wealthier households in the Red River Delta hired labour, but 85 per cent of wealthier households in the Mekong Delta hired labour (Watts, 1998: fn 33). More recent evidence and field work confirms both trends (Akram-Lodhi, 2001a, 2001b, 2001c). Resolution 6 thus sweeps away restrictions that had already become largely redundant by the mid 1990s and permits an acceleration of the use of labour-power in the rural labour process. Thus, in addition to the deepening of the informal land market, the state has significantly liberalized the operation of the rural labour market.

One last liberalization is worth noting for its impact on the rural economy. In 2001 the state scrapped rice export quotas and fertilizer import quotas, allowing all firms engaged in the domestic trade of these commodities to enter international arrangements. This liberalization substantially strengthened the role of market clearing prices in structuring those resource allocation decisions necessary for the production of exchange-value. Along with previously introduced reforms, it is possible that Resolution 6 and the 'final' liberalization of the international trade in rice will be the act that finally establishes the law of value in Vietnamese agriculture.

3.3 Agrarian structure in the 1990s

The previous section has demonstrated that during the 1980s and 1990s Vietnam has witnessed a transformation in rural property rights. Peasant families fostered decollectivization from below and, continuing trends witnessed in southern Vietnam prior to 1975, established themselves as the predominant unit of rural economic organization across the country. Watts (1998), writing about the Red River Delta in 1994, argued that the resulting equity in the distribution of land meant that any trend towards socio-economic differentiation amongst peasant family farms occurred on the basis of non-farm activities. However, this section will demonstrate that decollectivization set the stage for changes in the agrarian structure that demonstrate fundamental shifts in rural relations of production in Vietnam.

Data presented in Fforde and de Vylder (1996: 189) show that in 1991 there was clear differentiation amongst net savers in the rural economy. Thus, the poorest group in the rural economy, constituting 65 per cent of the rural population, were net dissavers. The richest 15 to 20 per cent of the rural population were net savers. Fforde and de Vylder note that that this 'suggests that over one-half of the rural population was likely to be losing control over assets'. This suggestion has been reinforced by the findings of the Vietnam Living Standards Surveys (VLSS) published in 1994 and 1999 (General Statistical Office (GSO) 1994, 1999)[2]. Clear evidence indicates that a stratification of landholdings is beginning to emerge. This is demonstrated in Table 2, which arrays landholdings for all households with agricultural land by per capita expenditure quintiles. Of course, it must be stressed that farms in rural Vietnam are small, and for many farmers holdings of land are insufficient to meet the subsistence needs of the household. The average size of a farm in the Mekong Delta is 1.2 hectares, and even this was four times the average size of a farm in the Red River Delta (World Bank, 1998: 10). Nonetheless, in Table 2 it is clear that holdings of land—the principal agrarian asset in Vietnam, as elsewhere in rural Asia—rise with per capita expenditure quintiles. Moreover, closer examination of the data indicates that unequal access to land can be witnessed not just between communities but can also be increasingly seen within communities. For the wealthiest, holdings of annual cropland are almost 1.4 times the area of the poorest expenditure quintile. The differences between the wealthiest and the poorest expenditure quintiles is even more striking for perennial crop land, with the richest quintile having holdings 6 times the size of the poorest quintile. The figures for perennial crops are extremely important, as they suggest the capacity to shift away from rice production and diversify into higher-value food and industrial crops capable of realizing exchange-value. Watts (1998) has noted that the most dynamic sectors of agricultural production are non-rice crops, particularly agro-industrial crops, and the data indicates that wealthier households have expanded the proportion of their land dedicated to perennial crops during the 1990s. Thus, whereas the wealthiest rural households devoted

[2] In 1993 and 1998 the GSO undertook two nationally representative living standards surveys, with financial and technical assistance from multilateral and bilateral donors. The first VLSS surveyed 4800 households. The second VLSS surveyed 6000 households, including 4300 that had been surveyed during the first VLSS. Thus, Vietnam has a rich data set, even though the 1998 VLSS is 'not a true random sample of Vietnamese households' (Desai, 2000: i).

15 per cent of their land to perennial crops in 1993, by 1998 this figure had risen to 37 per cent (GSO, 1994: Table 5.1.1; GSO, 1999: Table 5.1.2). In a differentiating agriculture, increasing the share of output accounted for by higher-value crops amongst wealthier households promotes further asset differentiation. It should also be noted that the quality of land held by wealthier households is improving. In 1993, some 16 per cent of land held by the wealthiest quintile was classified as good, and 41.5 per cent of their land was irrigated. By 1998 the former figure had risen to 21 per cent, while the proportion of land irrigated amongst wealthier households stood at 82 per cent (GSO, 1994: Table 5.1.11; GSO, 1999: Table 5.1.7).

It is of interest to note that the number of households in the 1998 VLSS that sold land was 10 times the number of households that sold land in the 1993 VLSS (GSO, 1994: Table 5.1.21; GSO, 1999: Table 5.1.10). The average price of crop land, in current Vietnamese dong (VND), jumped from VND 11.9 million in 1993 to VND 26.1 million in 1998, a period in which, it can be noted, inflation was very low. Moreover, data on land sales, by excluding evidence on land rented-in, probably underestimate the extent of stratification of landholdings in rural Vietnam. It has already been noted that Vietnam's informal land market appeared to be quite active in the early 1990s, despite the fact that high land labour ratios might serve to discourage renting. This finding was substantiated in the 1998 VLSS, where it is demonstrated that 15.3 per cent of farm households rented out land while 5.9 per cent of farm households rented in land (GSO, 1999: Table 5.1.6). Moreover, it may well be the case that land stratification is proceeding more quickly in particular parts of Vietnam than in others. For example, it has been suggested (Phong, 1995: 167) that in the Plain of Reeds land concentration is the most pronounced in all of Vietnam.

Mechanisms underpinning land concentration in rural Vietnam have been explored in a recent study of one province where the problem appears to be acute (Oxfam (GB), 1999). The study identified seven reasons why rural households had liquidated landholdings. The first reason was formal sector credit, as some people that took out formal loans for the first time found that they were unable to meet their obligations and had as a consequence been forced to sell their land. The second reason was output failures, which resulted in the need to sell land to repay accumulated debts. The third reason was the operation of land markets which, although not officially recognized, had made the sale or mort-

gaging of land considerably easier while at the same time serving to exclude those who lacked land from earning enough money to purchase land. The fourth reason was the increased prosperity of some, which had given them both the resources and the willingness to buy additional land in order to enhance their productive base. The fifth reason was that many farmers with a very small holding of land had come to believe that the returns to productive activity in farming were less than engaging in wage labour. The sixth reason was that there were more wage labouring opportunities, and although rural wages are low the relative return to rural waged labour has increased. The seventh reason was that salinization and poor irrigation had, on occasion, led to low land values that had in turn encouraged sales by very small farmers. It can be noted that these mechanisms have been largely confirmed in more recent fieldwork in two southern provinces (Akram-Lodhi, 2001a; Akram-Lodhi, 2001b).

Four interrelated points can be made regarding the stratification of landholdings in Vietnam in the 1990s. The first is that landlord tenant relations, including sharecropping, have returned to rural Vietnam during the 1990s (GSO, 1999: Table 5.1.6), albeit on a limited scale. Thus, as noted above in 1998 some 15 per cent of agricultural households rented-in land and some 6 per cent of agricultural households rented-out land. The second point is that landlessness in rural Vietnam is increasing. In 1993, some 8.2 per cent of rural households did not have any land. By 1998, this figure had increased to 10.1 per cent (Government of Vietnam-Donor-NGO Poverty Working Group (PWG), 1999: Table 2.4). In 1998, some 9.8 per cent of agricultural households sold land, but only 2.5 per cent of agricultural households bought land (GSO, 1999: Table 5.1.10). The growth in landlessness was particularly pronounced in the southeast region around Ho Chi Minh City, and in the Mekong Delta, the 'rice bowl' of Vietnam. The third point is that fragmentation of landholdings has increased significantly since decollectivization. For example, in the Red River Delta, where the average size of a farm is less than 0.3 hectares, the average number of plots that constitute an operational holding are between 8 and 9 (World Bank, 1998: 10). The fourth point is that the stratification of landholdings helps explain Resolution 6 of 1998. Although the 1993 Land Law stipulated maximum farm size, by 1995 there were already 113700 farms in excess of 5 hectares and 1900 farms in excess of 10 hectares. Indeed, in some southern provinces it is possible to come across privately owned farms that

are implicitly condoned by the state and by the CPV that are in excess of 1000 hectares[3] (Akram-Lodhi, 2001a). While these farms constituted only 1.1 per cent of farm households, it is worth stressing that 66 per cent of these farms were in the Mekong Delta (World Bank, 1998: 10). In a sense then Resolution 6 was simply an *ex post* recognition of changes in the agrarian structure that had already occurred. In February 2000, when the state reiterated its intention to implement Resolution 6, it was revealed that these so-called 'large scale' farms generated an average household income of US$7500 per year, well above the average per capita national income of US$350 (*Vietnam Investment Review* 14 February 2000). Resolution 6 suggests that there are those in the state and in the CPV that want land stratification to continue, and that these people have, in effect, won any argument that might have occurred within the CPV and the state.

One of the primary factors promoting the stratification of land in rural Vietnam was formal sector debt. However, formal sector debt was and is a very new concept in rural Vietnam. Moreover, debt can be a necessary input in production, in that it can be used to fund investment in working and fixed capital, and in so doing can enhance dynamic productive efficiency. It is therefore worth examining the development of the rural financial system, if only to better understand the relationship between debt and differentiation. This is done in the following section.

3.4 Debt and investment in the 1990s

As indicated in Appendix Table A1, in the early 1990s Vietnam created a rural financial system. This consists of the Vietnam Bank for Agricultural and Rural Development (VBARD), the People's Credit Funds (PCFs), and the Vietnam Bank for the Poor (VBP).

[3] One such farm is controlled by a CPV district secretary, while another is controlled by the Deputy Director of the provincial Department for Agriculture and Rural Development. It is quite common to find the wealthiest farmers in communes having strong CPV connections such as being Party Secretary (Akram-Lodhi, 2001b). Watts (1998: 490) terms those who use party connections in business and trade 'nomenklatura entrepreneurs'. Perhaps it is time to call those agriculturalists with CPV connections 'nomenklatura proto-capitalist farmers'

The VBARD is the largest rural financial institution, with over 2500 branches (World Bank, 1998: 39). By the end of 1995, loans to agricultural households accounted for 79 per cent of all credit issued (Jansen, 1998: 12). At the end of 1997, the VBARD had loans outstanding with 3.7 million households. Some 67 per cent of these loans were in agriculture, and 80 per cent were short term. The average size of loan outstanding was US$430, which, it should be noted, was well in excess of per capita national income (World Bank, 1998: 39). The PCFs had, by the end of 1997, some 497000 shareholding members, and some VND 1200 billion in loans outstanding, an average of US$172 per loan (World Bank, 1998: 39). It can be noted that the average size of outstanding loan amounted to one-half per capita national income. The bulk of these outstanding loans were also short term. The VBP operated through the VBARD network, and offered loans at subsidized, below-market interest rates to those deemed 'poor'.

The creation of the rural financial system may have brought about a significant change in the structure of access to credit in rural Vietnam. According to the 1998 VLSS (GSO, 1999: Table 8.2.1), some 54 per cent of rural households owed money, of which 43 per cent had been obtained from informal sources. This situation appears to differ greatly from that reported in the 1993 VLSS (GSO, 1994: Table 8.2.2). In the earlier survey, some 47 per cent of rural households were indebted. Thus, between 1993 and 1998 rural debt increased. However, in the earlier survey some 73 per cent of rural debt was owed to informal sources. Thus, between 1993 and 1998 there has been a decline in the importance of informal sources and a corresponding increase in the importance of formal rural financial institutions. This structural change in the composition of debt may help explain trends in the stratification of land. It may be the case that informal sources of credit may be less likely to foreclose on debts, preferring instead to lock debtors into a web of interlocking transactions that increase their capacity to 'regulate' the economic environment in their favour. By way of contrast, formal sources of debt may have less recourse to alternative forms of repayment, such as that offered by interlocking transactions, and are thus more likely to foreclose on unpaid debt, especially if such land can then be sold. Whether this is in fact the case in rural Vietnam is an open question in need of further research. What is not in doubt is that the composition of the sources of debt has changed, and that this has been accompanied by increases in the liquidation of holdings in order to settle outstanding

debt. In this regard, it was worth stressing that in both the earlier and the later VLSS fewer households in richer expenditure quintiles were in debt when compared to households in poorer expenditure quintiles (GSO, 1999: Table 8.2.3; GSO, 1994, Table 8.2.7). This was so even though the volume of borrowing amongst poorer households was, on a per unit of land basis, much lower than that of the relatively better off rural households (Wiens, 1998: 77). The liquidation of land is thus more likely to take place amongst the relatively less well off, opening up land for purchase for the relatively better off. In this way, differentiation may be debt-driven (Akram-Lodhi, 2001a, 2001b).

Some 64 per cent of all rural loans in the 1998 VLSS had been taken out to acquire working capital, and some 4 per cent had been taken for basic investment (GSO, 1999: Table 8.2.7). There are, however, differences in the acquisition of debt when considered by expenditure quintiles. In the 1993 VLSS the bulk of lending to poorer households was for consumption; only 37 per cent of lending was used for productive investment. By way of contrast, for the wealthiest expenditure quintiles, 67 per cent of borrowing was for productive investment (Wiens, 1998: 77). There was, in particular, a strongly positive relationship between rural income and new investment in machinery in 1993 (Wiens, 1998: 73). Clearly, then, debt has been used to fund spending on investments in the means of production, in particular by wealthier expenditure quintiles, and indeed investment is an important variable when assessing accumulation in Vietnam. Between 1981 and 1985 the share of investment in agriculture as a proportion of total government investment was 18.3 per cent (Fforde and de Vylder, 1989: 141). Although this was a decline relative to 1976-1980, economic circumstances had changed. Vietnam's ongoing integration in the trading block of the communist countries gave it access to trade-based development co-operation, ODA, and technical aid, all of which served to loosen the investment constraints facing the rural economy in the late 1970s. In addition, some of the larger investments made during the late 1970s came on stream, and started to have an effect on production and productivity. Moreover, between 1986 and 1988, just prior to formal decollectivization, investment in agriculture as a proportion of total government investment increased, to stand at more than 20 per cent, further loosening the constraints facing the rural economy. Much of this investment was directed at further extending the irrigated area in the Red River Delta, while

other investments were directed at developing the production of tropical crops such as coffee and rubber in the Central Highlands.

Having said that, investment in agriculture is generally low, standing at only 7 per cent of total investment (ANZDEC, 2000: 60). The bulk of this investment comes from the state budget and from SOEs; only 35 per cent of agricultural investment comes from the private sector. Thus, as demonstrated in Table 3 in 1998 public investment in agriculture constituted only 13.9 per cent of total public investment, only 14.7 per cent of the government budget and only 3.73 per cent of agricultural GDP. If agriculture had received public investment commensurate with its share of GDP, it would have received double its allocation of government resources. However, it is worth noting that public investment does not meet targets set for it by the annual Public Investment Programme, indicating a lack of disbursement. Moreover, ODA plays a major role in facilitating that investment that does take place. ODA currently supports 133 agricultural projects in rural Vietnam, providing 82 per cent of the funding of these projects (*Vietnam Investment Review* 25 June 2001). The bulk of that investment which does take place is in irrigation, forestry and land reclamation. Finally, it is worth indicating that the mid-1990s boom in foreign direct investment (FDI) into Vietnam—in 1995 FDI was equivalent to 8.8 per cent of GDP—totally missed the agricultural sector. Of the US$16.6 billion of implemented FDI that had flowed into Vietnam by October 2000, only 5.2 per cent had been directed at agriculture and forestry (*Vietnam Economic Times*, November 2000). During the first six months of 2001, of the 200 FDI projects approved by the Ministry of Planning and Investment, worth US$968.13 million, only 9 projects, worth US$12.17 million, were directed at the agro-forestry sector (*Vietnam Investment Review* 2 July 2001). Clearly, agriculture was not a priority sector for foreign investors.

Thus, although credit is used in rural Vietnam to fund spending on working and fixed capital, low levels of overall investment suggest that debt has not been an effective means by which to generate investment in working and fixed capital. Rather, the role of debt has been to drive peasant class differentiation. Of course, it is probably unwise to generalize findings across the breadth and depth of the agricultural sector. There are clear differences in the levels of debt held between expenditure quintiles, and investment in working and fixed capital differs across different classes of farmers. As noted, poorer

farmers tend to acquire consumption-derived debt. Wealthier farmers tend to acquire higher volumes of credit, but lesser volumes of debt, and use the credit for productive investment in farm equipment and machinery. If this is the case, it might be expected that differences in the use of credit might lead to differences in the technical coefficients of production. It is to investigating this possibility that attention now turns.

3.5 Non-land inputs and the technical coefficients of production in the 1990s

Changes in rural relations of production driven by alterations in the structure of property rights and the acquisition of debt have been accompanied by fundamental changes in the structure of non-land inputs in rural Vietnam. Table 4 demonstrates changes in the structure of inputs between the late 1970s and the mid-1990s. As is demonstrated in Table 4, in the period between the late 1970s and the mid-1990s the amount of arable land per capita declined. However, despite this decline, the total amount of land devoted to cereal production, primarily rice, the principal agricultural use-value, increased by 31 per cent. This extension of the area devoted to rice was accompanied by an intensification of production. The proportion of the cropped area irrigated increased by more than 28 per cent; the use of fertilizers increased eight times, and the number of tractors increased more than fourfold. Clearly, there have been changes the technical coefficients of production in Vietnamese agriculture as a whole.

The only area in which the choice of technique did not appear to radically alter in the aggregate was in the use of hired labour. However, this may be due to an under reporting of labour hiring. That the average annual rate of decline in wage employment in agriculture between 1993 and 1998 was 4.7 per cent, as is claimed by the World Bank, seems open to doubt (PWG, 1999: Table 3.4). It has already been noted that the World Bank in the mid 1990s was demonstrating extensive use of hired labour. Field surveys indicate that there is a great deal of heterogeneity across rural Vietnam with respect to the use of hired labour (Akram-Lodhi, 2001c), and aggregate all-Vietnam figures could conceivably hide important sources of differences across farms in particular parts of rural Vietnam. Less doubtful is the fact that between 1993 and 1998 there was, at 0.8 per cent, almost no change in overall household farm employment (PWG, 1999: Tables 3.2 and 3.4). At the same time, however, even aggregate figures demonstrate that household farm employment

has restructured. Between 1993 and 1998 household farm employment of males decreased by 0.3 per cent per annum, while household farm employment of females increased by 0.9 per cent per annum (PWG, 1999: Table 3.2). Farm production is, in this sense, becoming 'feminized', a trend that commenced during the 1980s and has continued. However, as just noted, Resolution 6 ends restrictions on the rural labour market, and this may have implications for gender relations in agriculture. So too will the growth in landlessness as peasant class differentiation continues.

Although Table 4 indicates that there has been substantial change in the technical coefficients of production in Vietnamese agriculture between the late 1970s and the 1990s, this does not mean that change has been the same for all farms. Land labour ratios may be restrictively tight in rural Vietnam, but that does not mean that they are restrictively tight for all farms in the same way. In other words, Table 4 does not provide evidence that identical technical coefficients of production are used across farms. Therefore, Table 5 presents evidence on changes in crop cultivation expenses by per capita expenditure quintile, as derived from the VLSS. Four important points can be made regarding the table. The first point is that working capital continues to be, as would be expected, an important expense. However, for wealthier expenditure quintiles working capital became a relatively less important expense between 1993 and 1998. Thus, while expenses on seed, fertilizers and insecticides amounted to 85 per cent of total expenses for the poorest expenditure quintile in 1993, they also amounted to 72 per cent of total expenses for the wealthiest expenditure quintile. By way of contrast, in 1998 such expenses amounted to 78 per cent of total expenses for the poorest expenditure quintile, but only 40 per cent of expenses for the wealthiest expenditure quintile. The second point to emerge from the table is the source of the difference: the provision of private productive services such as the rental of draft animals, the maintenance and repair of agricultural equipment, and fuel, along with equipment rental. Equipment rental became, in absolute terms, more important for all farmers between 1993 and 1998. However, for the wealthiest expenditure quintile equipment rental grew in both absolute importance and relative importance. By 1998 equipment rental accounted for almost 37 per cent of crop cultivation expenses, which was almost three times that of any other expenditure quintile. Considering productive services and equipment rental together, whereas in 1993 the amount spent on these expenses averaged between 11 and 12 per cent

of all expenses regardless of expenditure quintile, by 1998 a reasonably clear positive relationship between expenditure quintile and productive services and equipment rental expenses had emerged. Thus, for the poorest expenditure quintile in 1998 such expenses accounted for 19 per cent of all expenses. By way of contrast, for the wealthiest expenditure quintile such expenses accounted for almost 49 per cent of all expenses. The third point that should be made is that the table understates the role of hired labour in crop cultivation expenses, as a result of a quirk in the presentation of the data of the VLSS. In addition to the expenses for labour indicated in the labour hiring column, labour expenses for those providing draft animals and those operating equipment are included in the services column. Thus, although the data shows that labour hiring is indeed important for the wealthiest expenditure quintiles, it is in fact more important than is indicated in the table. The fourth point that emerges from the table is a function of the previous three, and is also the most important one: clearly, technical coefficients of production differ across expenditure quintiles in rural Vietnam. However, this finding is not surprising. The ability to rent draft animals and equipment, labour-power and maintain machinery is not resource-neutral. Neither is the ownership of these inputs (Akram-Lodhi, 2001c). Differences in technical coefficients of production, when considered in light of the fact that certain inputs are not resource-neutral, suggests that access to these key production inputs may be differentiated on the basis of the resource capacity of farms. Indeed, acquiring these inputs is not only done so that they can be used on farm. An increasing share of these resource-biased inputs are owned by relatively wealthier farmers and are rented to relatively poor farmers. As one farmer operating 900 hectares in the Plain of Reeds in the Mekong Delta stated,

> I used my savings to buy a water pump which I use to water neighbouring rice fields. The money that I earn from this is just enough to cover the cost of cultivating my rice field. As I result, I lose nothing and keep all the income from the crop (*Vietnam News* 9 April 2001).

As the example demonstrates, an important indicator of the resource capacity of farms is the size of holding which, as has been demonstrated, is becoming stratified. Taking these two points together, it would appear that rural Vietnam has at least two different classes of farmers. One—call them ‘rich peasants—has relatively larger holdings, less debt, uses more capital-intensive methods of production on their farms, and hires out modern farm equipment and machinery. The second—call them ‘small peasants’—has rela-

tively smaller holdings, more debt, uses more labour-intensive methods of production, and hires in modern farm equipment and machinery. This typology will be further explored below.

3.6 Productivity and accumulation in rural Vietnam

Changes in the agrarian structure and in the technical coefficients of production might be thought to have an impact on foodgrain production and availability. This impact is illustrated in Figure 3, which demonstrates the impressive 'takeoff' in foodgrain production that occurred in the late 1980s, particularly following the depression of staples production in the 6 years following 1982, when an emerging food crisis was exacerbated by bad weather in 1987 and 1988.

In Vietnam the most important foodgrain is rice. Over the period between 1990 and 1998, paddy production accounted for an average of 90.3 per cent of all foodgrain production when measured by volume (World Bank, 2000b). Indeed, rice accounts for almost half the gross value of agricultural production, and the rate of growth of paddy production has, at times, outstripped the rate of growth of foodgrain production. Moreover, increased paddy production has been translated into increased farm revenues, increased farm income, and increased rural expenditure. Between 1993 and 1998 rural household incomes increased by almost 28 per cent. Farm revenues from rice production grew by 21.2 per cent during the period. This accounted for approximately one-half of the growth in agricultural revenues over the five years. It also accounted for perhaps as much as one-third of the growth of rural household incomes, and therefore a significant fraction of the 30 per cent rise in rural real per capita expenditure in Vietnam over the period (PWG, 1999: Tables 3.7 and 3.8 and Figure 4.2).

Overall, agricultural output increased at 5.1 per cent per annum between 1988 and 1998 (ANZDEC, 2000: 22). In order to assess the significance of the growth of foodgrain production since the late 1980s, median growth rates can be plotted on a scatterplot and a negative reciprocal regression line fitted to the trend[4]. This is done in Figure 4, which demonstrates a rise in estimated median growth rates from about 2 per cent a year in the

[4] I am indebted to Marc Wuyts for demonstrating the properties of the negative reciprocal transformation to me.

early 1960s to about 6.5 per cent a year by the late 1990s. Moreover, just as importantly, the pattern is heteroscedastic, with variation around the regression line visibly diminishing over time. Similar patterns are observed for availability and per capita availability, although the growth rates are not nearly as dramatic. Figure 3 also appears to demonstrate a possible point of influence in foodgrain production and availability around 1987, in that the trend rate of growth in both production and availability appears to have significantly increased after 1988. Boxplots of Dfbeta statistics for foodgrain availability and per capita foodgrain availability confirm that 1987 is indeed a point of influence. As such, it pulls down the overall growth rate over the entire period. Thus, the impressive supply response demonstrated in Figure 4 is in all probability an underestimate of trend growth in foodgrain availability and per capita foodgrain availability in the period between 1988 and 1997 (Mukherjee, White and Wuyts, 1998: 138).

As Jansen (1998: 9) observes, the growth in gross agricultural output was a direct function of two factors: intensity and yields. In 1985, prior to formal decollectivization, the ratio of the sown area to the cultivated area stood at 1.3 (ANZDEC, 2000: 7). The transformation of the relations of production resulted in an expansion of double and triple cropping. Thus, the ratio of sown area to cultivated area has grown rapidly, to stand at 1.7 crops per year in 1998. The rate of growth of rice cropping intensity is thus 2.1 per cent per year. In terms of yields, in 1979-81 cereal yields per hectare amounted to 2049 kilograms. By 1996-98, this had risen to 3754 kilograms per hectare.

In terms of aggregate productivity, Figure 5 presents indexed data on agricultural value added per worker and per hectare, using 1986 as the base of the index. Figure 5 demonstrates that the moderate upward trend in productivity stopped in 1988, giving way to an impressive improvement in trend productivity growth in both per worker and per hectare terms. In order to decompose the basis of this productivity growth, and in particular the relationship between the means of production, the technical coefficients of production and agrarian performance, Jansen's (1998: Table 2) estimates are presented in Table 6. Jansen constructs a log-linear Cobb Douglas production function in which agricultural output is a function of land, labour, livestock, fertilizer and machines, in order to estimate the contribution of each factor to output growth and productivity growth. According to Jansen's analysis, in the period of collective agriculture the attempt to strengthen co-operative

farming led to an expansion of the sown area and investment in machinery and equipment, although, as was discussed above, much of this investment was to replace existing machinery and equipment in need of repair. However, the investment and incentive weaknesses of the system fostered declining productivity, as illustrated in the contribution of total factor productivity to growth. Following Directive 100, co-operatives shifted to household contracts, in order to improve incentives. Farming intensity increased, as evidenced by the rise in the contribution of fertilizer to growth, and by the increased importance of labour in agricultural growth. Productivity improved considerably. However, the growth regime engendered by Directive 100 quickly lost momentum, even though productivity continued to improve. Finally, Resolution 10 formally decollectivized agriculture. This led to an expansion of the sown area. However, it also led to increased application of working capital, in particular fertilizer. In the presence of formal restrictions on the use of labour-power, it also led to renewed spending on investment goods, that is to say machinery and equipment. The rationale behind such investment was clear: the return to such investment was very high indeed. Thus, 'one Vietnamese dong invested in equipment or related other costs is associated with a gross annual return of 4-5 dong worth of paddy, other things being equal' (Wiens, 1998: 84). An important component of this return was the rental of farm machinery and equipment by relatively wealthier farmers to relatively poorer farmers (*Vietnam News* 9 April 2001). Productivity growth *per se* petered out, and 'agricultural growth is…mainly determined by the increase in purchased inputs' (Jansen, 1998: 11). This is consistent with the composition of credit and debt discussed above, and with changes in the technical coefficients of production demonstrated in Tables 4 and 5. Jansen's findings suggest that despite the transformation in the rural relations of production, the impact on the forces of production is less clear. There have been improvements in dynamic productive efficiency, to be sure, but whether Figure 5 indicates that there has been a structural shift in the parameters of dynamic productive efficiency appears less certain. This suggests that the process of agrarian transition may currently be fettered by an inability to further alter the technical coefficients of production in a manner consistent with ongoing processes of peasant class differentiation.

That the technical coefficients of production have already been altered in a manner consistent with changes in the agrarian structure is illustrated in Table 7, which displays

differences in productivity amongst farms by arraying paddy productivity per hectare in 1993 and 1998 by expenditure quintiles. The results are quite striking. In 1993 the difference between the least productive expenditure quintile and the most productive expenditure quintile was 325 kilos per hectare. Although wealth was correlated with productivity, the relationship was not linear: the wealthiest expenditure quintile was not the most productive. By 1998, circumstances had dramatically changed. The difference between the least productive expenditure quintile and the most productive expenditure quintile was 740 kilos per hectare. Whereas productivity for the poorest wealth expenditure quintile increased by just over 15 per cent, productivity for the wealthiest expenditure quintile increased by 31.6 per cent. Moreover, the correlation between wealth and productivity had become clearer: the wealthier the household, the more productive it was. In a sense, this is hardly surprising, given the already established findings that wealthier farms invest more in productive purposes, and that the return in particular to investment in farm equipment and machinery can be on the order of 400 to 500 per cent (Wiens, 1998: 84). As a result, 'it cannot be argued that smaller (and poorer) farmers in Vietnam are more productive than larger (and richer) ones' (Wiens, 1998: 72; Akram-Lodhi, 2001c). Indeed, in the 1993 VLSS Wiens (1998: 87) calculated that smaller farms, defined as those of less than 0.25 hectares, had only 41 per cent of the total factor productivity of larger farms, defined as those of more than 2 hectares.

Differential access to the principal means of production, differential technical coefficients of production, and differential productivity strongly suggests that farms in rural Vietnam may not necessarily be pursuing the same production purpose. This is supported by evidence contained in Figure 6, which demonstrates the share of paddy retained for self consumption versus the share of paddy destined for market sales by expenditure quintiles. As such, Figure 6 demonstrates the spread of generalized commodity production in rural Vietnam, the distribution of the production of exchange-value by expenditure quintiles and, by inference, the farms in rural Vietnam that may be beginning to produce surplus-value. Figure 6 demonstrates that the poorer quintiles retain the bulk of their paddy, and market proportionally less. Thus, poorer quintiles remain, at best, only partially integrated into generalized commodity production and perhaps can be thought of as 'subsistence' farmers. Watts (1998: 491) notes that this strata is 'a semi-proletarianized rural workforce

which is some ways approximates Lenin's notion of the "propertied worker"' because insufficient productive assets compels them to sell labour-power. By way of contrast, the wealthier quintiles market the bulk of their paddy, and retain a much smaller fraction of output. These farms are primarily engaged in the production of exchange-value. It is even possible that amongst some of these farms the transition has been completed, and they are engaged in the production of surplus value. Evidence indicates that although rice production is the most important component of agricultural output, the most dynamic growth has occurred in non-rice production. Between 1993 and 1998 farm revenues from perennial crops increased by 127 per cent, from fruit trees increased by 112 per cent, from perennial crops increased by 66 per cent, and from livestock and aquaculture increased by 52 per cent (PWG, 1999: Table 3.8). By 1998, the latter category accounted for 31 per cent of total agricultural revenue, second only to rice. This data suggests that rural accumulation is driven by the non-rice sector, a suggestion consistent with the analysis of both Watts (1998: 492) and the World Bank (World Bank/Asian Development Bank/United Nations Development Programme, 2000: 11). In this light, it is not surprising that there are differing degrees of integration into generalized commodity production amongst poorer and wealthier paddy producing households in rural Vietnam.

In fostering accumulation in Vietnam, especially amongst relatively wealthier rural households, the role of rice as an exchange-value has been twofold. Rice is the principal wage good in Vietnam, and is also an important source of export earnings. Between 1990 and 1998, Vietnamese GDP grew at 8.4 per cent per annum. Private consumption increased at an average annual growth rate of 10.2 per annum between 1990 and 1998, while private consumption per capita increased at an annual average growth rate of 8.2 per cent over the same period (World Bank, 2000a: Table 4.10). In 1998, food, which had accounted for over 76 per cent of total expenditure in 1986 (Fforde and de Vylder, 1996: Table 3.14), accounted for 49 per cent of private consumption per capita, when expressed in purchasing power parity (PPP) terms. Breads and cereals accounted for 21 per cent of private consumption per capita, when expressed in PPP terms (World Bank, 2000a: Table 4.11). Moreover, breads and cereals were under priced by 3 per cent in 1998 when compared to international equivalents, suggesting that the intersectoral terms of trade may have been used to facilitate the provision of a wage goods surplus (World Bank, 2000a: Table

4.12). This suggestion should however be treated with extreme care, as the available Vietnamese data on the intersectoral terms of trade, and the volume of intersectoral resource flows, is extremely fragmentary.

In the 1980s, it appeared that the terms of trade moved against agriculture, as state trading companies used their dominant position in the rice market in particular to increase their margins relative to input prices when agricultural production increased in the early 1980s (Fforde and de Vylder, 1996: Table 5.6). In the mid-1990s, based upon data collected in Ho Chi Minh City and in Hanoi between 1989 and 1994, Fforde and Sénèque (1995: 122) suggested 'the terms of trade have improved for agricultural producers across Vietnam'. More recently, van Donge, White and Nghia (1999: 45) have suggested that the ratio of the price of fertilizer to the price of paddy fell from 3.5 to about 1.7 between 1991 and 1995, also suggesting an improvement in the terms of trade facing agriculture. By way of contrast, the International Food Policy Research Institute (IFPRI) (1996: 149) deflated the farmgate price of paddy by the consumer price index and found that the real price of paddy declined by 3.1 per cent a year between 1989 and 1995. Similarly, Jansen (1998: 18) has calculated the intersectoral terms of trade, using the GDP deflators for agriculture and non-agriculture. Jansen has found that while there was an improvement in the intersectoral terms of trade, to the benefit of agriculture, between 1986 and 1988, between 1991 and 1995 there was a gradual deterioration in the intersectoral terms of trade. As a consequence, relative prices in 1993/95 were below those in 1986/91. Van Donge, White and Nghia (1999: 45) have noted that in 1995 and 1996 the ratio of the price of fertilizer to the price of paddy rose from 1.7 to 2.2, suggesting a deterioration in the intersectoral terms of trade facing agriculture. They also note that, as in the IFPRI study, in 1996 the rice price declined while the consumer price index rose. This further indicates a relative decline in the terms of trade facing agriculture. They conclude that 'the terms of trade are moving against rice producers…in recent years' (van Donge, White and Nghia, 1999: 45). Finally, between April 1999 and April 2000 food prices shrank by 9.7 per cent while non-food prices rose by 1 per cent. Rice prices during this period fell to a 10-year low, garnering a market price that was only 30 per cent more than the cost of production (*Far Eastern Economic Review* 8 June 2000). The GSO reported that if the sale of farm products in 1998 allowed the purchase of four industrial products, by 2000 an identical amount of farm

product sales only allowed the purchase of three industrial products (*Vietnam News* 9 April 2001). Clearly, while the tentative evidence would seem to suggest a shift against agriculture, there is need for further research on the intersectoral terms of trade. Nonetheless, it is the case that the provision of the wage goods surplus did, no doubt, contribute to macroeconomic success during the 1990s, in that it served to dampen the inflationary pressures that had been so severe in 1987. Indeed, in 1999 the rate of growth of consumer prices was, for a time, negative.

In terms of the volume of intersectoral flows, a common view that has been held is that agriculture is lightly taxed, with between 5 and 10 per cent of output being directed to the state (Mellor, 1993). Indeed, a more recent analysis of the 1998 VLSS indicates that all direct taxes amount to 3.7 per cent of household expenditure, the bulk of which is accounted for by the agricultural land tax, with fees and contributions comprising the remainder (Bao, Haughton and Quan, forthcoming). The taxation of agriculture was also found to be regressive, a finding that was confirmed in research conducted for the World Bank (Government of Vietnam-Donor Working Group on Public Expenditure Review (PER), 2000a: 50). This latter research however also found that in an unrepresentative sample of households the proportion of income paid as direct taxes, fees and contributions could vary from between 2 and 41 per cent. Watts (1998: 485-489) has similarly conducted a detailed analysis of agricultural taxes in one district in northern Vietnam that challenges the conventional wisdom that agriculture is lightly taxed. He estimates a direct tax burden on land equivalent to 17 per cent of output in one district, and suggests that the tax load in the district 'are probably indicative of a widespread underestimation of the current fiscal burden imposed on rural peasants' (Watts, 1998: 489). Clearly, this is an area in need of further research. However, what Watts also stresses is that even if tax levels are higher than are commonly supposed this does not necessarily mean that resources are flowing out of the agricultural sector. As a result of economic reforms, the flow of resources from the central government to local government has dramatically reduced. Many of the rural fees and contributions line the pockets of corrupt cadres. However, rural fees and contributions can also be used to fund important local developmental and social security services and if these fees and contributions were reduced, these services would be cut. Certainly, there is

an important need to increases the transparency of local fees and contributions. However, this does not imply that agricultural taxes should necessarily be cut.

In terms of export earnings, rice has made a major contribution to the Vietnamese economy, reducing the balance of payments deficit and easing the foreign exchange constraint. In 1988, Vietnam still had to import rice, as implied in Figure 2. In 1989, the country exported rice for the first time: 1.4 million tons, to be precise. Since that time, rice exports have grown dramatically in volume and in value, as indicated in Table 8. With the exception of petroleum, rice is Vietnam's most important export, and Vietnam has emerged as the second largest exporter of rice in the world. Indeed, one of the explicit reasons given by the state regarding the scrapping of the rice export quota in 2001 was to promote a further expansion of rice exports.

The role of SOEs in establishing the intersectoral terms of trade has just been noted. The ability of SOEs to perform this role is a function of their domination in agro-processing, the inter-provincial rice trade, and the international marketing of a number of export crops. This market-making role was particularly important with regard to the most important agricultural export exchange-value, and thus meant that SOEs played an important role in the management of rice demand, in effect standing between peasants and the market. However, it is not clear whether the presence of SOEs in rice marketing has restricted the realization of exchange-value that accrues from the international sale of rice. During the late 1970s and early 1980s SOEs relied on foreign aid to sustain their viability. Following the boost in agricultural production that came about as a result of Directive 100, the state substantially increased its margins, in order to capture the benefits of productivity increases and reassert control over the market (Fforde and de Vylder, 1996: 176). This changed in 1989, when SOEs stopped receiving direct subsidies, when state procurement ended, when the price differential between the state prices and private 'unorganized' prices had come close to reaching parity, and when the share of the state in internal staples trade started to decline. Direct subsidies were replaced by indirect subsidies, in the form of loans at concessionary interest rates, from state-owned commercial banks, debt forgiveness by state-owned commercial banks, and tax exemptions. The state also instituted a programme of 'equitization' of SOEs in the 1990s, in order to enhance the role played by competitive

pressures in economic decision making. However, the pace of equitization was slow. Thus, in 1999 only some 50 SOEs were equitized (ANZDEC, 2000: 23).

Some anecdotal evidence suggests that some SOEs operating in agriculture were inefficient. Thus, during the 1980s it is estimated that some 50 per cent of the staples supplied to the state failed to reach those in receipt of rations (Fforde and de Vylder, 1996: 182). In the mid-1990s it was estimated that SOEs incurred marketing costs that were 10 per cent higher than those incurred by private traders (Khiem, 1996: 32). More recently, some 17 per cent of SOEs in agriculture owned by the central government made losses in 1998 (PER, 2000b: 44). However, it is not clear whether SOEs involved in rice processing and marketing made losses. Moreover, SOEs make substantial tax payments to the government, in part because they accrue so much of the final price of rice. For example, in 1997 the distribution of the final price of rice witnessed 16 per cent going to farmers, 9 per cent going to small traders, 16 per cent going to wholesalers and millers, 15 per cent going to export agents, and 44 per cent going to SOEs (*Far Eastern Economic Review*, 18 December 1997). Thus, the net impact of SOEs on the dynamic productive efficiency of the agricultural sector remains to be seen (PER, 2000b: 44).

Clearly, SOEs have an impact upon accumulation; it is just not clear what is the impact. What is clear is that over the course of the agrarian transition in Vietnam important sources of difference have emerged in the countryside. The separation of the direct producers from the means of production, a process that is embodied in differential ownership of land and capital inputs, has proceeded, and is witnessed in differences in land holdings, differences in the technical coefficients of production, and differences in productivity. A small class of rich peasants is emerging. It remains to be seen whether rich peasants have the potential to turn themselves into a class of proto-capitalists. Nonetheless, this separation is a key structural feature of the development of the capitalist mode of production, as it is separation that fosters the emergence of exploitation and the production of surplus value (Lenin, 1968). However, despite the unparalleled supply response witnessed in rural Vietnam during the 1980s and 1990s and the potential that this suggests for peasant class differentiation, this process is not yet complete. Vietnam remains dominated by small peasants, operating small plots of land with small quantities of capital inputs, producing primarily for subsistence. Thus, while there has been a transformation in rural relations of

production, the shift to generalized commodity production remains incomplete. Similarly, while improvements in dynamic productive efficiency have been witnessed, the evidence that these improvements are sufficient to warrant being considered a structural break is lacking. The unfettering of the forces of production is, at best, partial.

3.7 Poverty and inequality

The processes of peasant class differentiation emerging out of Vietnam's agrarian transition would be expected to have an impact on social equity. However, whether this has been the case remains contentious. In terms of absolute poverty, there was a decline in its incidence between 1993 and 1998 from 66 per cent to 45 per cent (PWG, 1999: Figure 1.2). The number of undernourished people dropped from 18 million in 1990-92 to 14.2 million in 1997-99 (*The Economist* 20 October 2001). However, this positive development may more recently have started to slow. Falling prices for rice, coffee and pepper meant that between 1998 and 2000 average farm income fell by 17 per cent (*Vietnam News* 9 April 2001), and it was growth in agriculture that was responsible for the decline in poverty in Vietnam.

Agriculture still accounts for almost 80 per cent of poverty in Vietnam. The process of agrarian transition is a contributing factor in this poverty, in that 'differences in landholdings…show a link with poverty (PWG, 1999: 28; Oxfam (GB), 1999). In this light, it might be thought that increases in stratified access to land would explain the increase in the Gini coefficient for Vietnam from 0.33 in 1993 to 0.35 in 1998 (PWG, 1999: 68). This increase, which is derived from the VLSS, is consistent with the calculations of Dollar and Litvack (1998: 15), who estimated that the Gini coefficient for Vietnam in 1984 was 0.30, and that the Gini coefficient would rise to 0.38 by 2000. Such figures as are available are displayed in Table 9, which suggest that since 1978 it is possible that inequality has increased by some 50 per cent. Such a shift might, it would be thought, cause concern within the CPV, as the Gini coefficient is coming close to 0.40. The Chinese Communist Party, to whom the CPV is close, considers a Gini coefficient of 0.40 to represent a socially unacceptable degree of inequity, and Vietnam does appear to be close to breaking this level. That having been said, though, there is a counter argument: that greater inequality is good,

because it fosters more rapid integration into generalized commodity production, and in so doing possibly hastens the successful completion of the agrarian transition.

However, the relationship between peasant class differentiation and inequality is more complex. Clearly, inequality can be increasing even as poverty is decreasing. However, trends in the evolution of inequality are not clear, as Tuan (1997) demonstrates. Data appears to indicate that income distribution had become less equitable in all regions of Vietnam between 1989 and 1992 (Khiem, 1996: 35). More recently, a Theil L index of inequality, which permits an understanding of trends in inequality both within groups and between groups, suggests that inequality in rural Vietnam diminished so slightly as to remain basically unchanged between 1993 and 1998 (PWG, 1999: Table 4.2). The main source of inequality in Vietnam, according to the calculation, is a widening of urban rural differences. A proper assessment of this issue would require an analysis which went beyond the regional differences explored in *Vietnam: Attacking Poverty* (PWG, 2000). There is a need to assess the relationship between inequality, access to assets, positions within the production process, and the extent of integration into generalized commodity production, and to conduct such an assessment within and across particular regions. However, such an assessment is beyond the scope of this article.

With the analytical framework of agrarian political economy, the shifts that have been documented in this article can be expected to have an effect on rural politics, because rural politics is both shaped by and shapes changes in the production process and accumulation. The article therefore turns now to consider developments in rural politics during Vietnam's agrarian transition.

3.8 Rural politics in the 1990s

Transformation of the production process and the differentiated impact of agrarian accumulation both shape and is shaped by rural politics. In Vietnam, the most well known expression of rural political activity was the struggle against the French and the US for independence and national unification, a struggle whose social base lay in rural resistance. While unification did not serve to eliminate rural politics, the 'mono-organizational socialism' (Rigby, 1991: 111-112) of the immediate post-unification period witnessed the CPV seeking to strengthen its position in rural politics. To that end, the CPV assumed

greater control of local politics, albeit often using local leaders, directed the local state, and determined the objectives and structure of its mass organization affiliate, the Vietnam Peasants Association. As a result, political action was often expressed through the use of the 'weapons of the weak' (Scott, 1985), which, through its impact on agricultural productivity, may have served to contribute to the agrarian crisis of the late 1970s and 1980s.

The process of agrarian transition unleashed during the 1980s has, in many ways, served to re-ignite a rural politics that had thus been muted during the period of attempted collectivization. The reason behind the resurgence of local level rural politics in Vietnam since the mid-1980s is the increasing reliance on markets as the principle mechanism of resource allocation. As is stressed in agrarian political economy, economic agents enter into market relations with differential assets that can have an affect upon the operation of the market. In particular, agents with relatively large quantities of assets can enter markets from a position in which they seek to 'regulate' its operation to their advantage (Akram-Lodhi, 2000b; Bernstein, 1996). This suggests that markets, predicated as their operation is on inequity, can serve to deepen existing inequities. This suggestion is reinforced by trends in the Gini coefficient illustrated in Table 7. The operation of one particular market that has emerged in Vietnam during the 1990s serves to illustrate this principle: the land market. As illustrated above, the tentative evidence that is available suggests that access to land is becoming differentiated as it becomes, in effect, privately held, and as land accumulation proceeds, albeit to a limited degree, through market exchanges. Yet, in rural Vietnam, as elsewhere in rural Asia, land is an emotive issue, in that land is more than just an economic resource; it is also a cultural resource. In this light, it is not surprising that the operation of the land market has served to galvanize the re-emergence of local rural politics in Vietnam.

Kerkvliet (1995) offers an excellent account of the development of rural politics around land issues during the late 1980s and early 1990s. Much of these politics initially centered upon the issuing of land use certificates by local authorities following the promulgation of Resolution 10 in 1988. Thus, according to Kerkvliet (1995: 74), between 1988 and mid-1990 some 200000 written complaints were received from villagers disputing the distribution of land use rights by local authorities. In addition to the allocation of fields, boundaries were also a subject of dispute. A second allocation that was subject to numer-

ous complaints was the distribution of the 'second land fund', which was arable land allocated by some co-operatives by auction in order to provide resources for community purposes. It would appear that much of this land was taken over, more or less permanently, by individual households. At the same time, decollectivization resulted, as already noted, in the return of landlord tenant relations, the return of sharecropping, and the return, albeit to a limited degree, of a private wage labour market in rural areas. These trends are reasonably clear from the evidence presented in the previous section. Given these various processes, it is not surprising that rural complaints have been widespread. In seeking redress, farmers have consistently sought to use official channels, organizing petitions to local and central authorities and senior CPV officials. In so doing, they have been careful to criticize individuals, rather than the political system as such. However, when complaints are unsuccessful, as they commonly are, they mutate into disputes. Kerkvliet (1995: 73) cites a 1990 CPV document that notes examples of villagers resorting to violence in their disputes with each other, engaging in beatings, arson and killings in order to resolve conflict. Rural disputes do not however solely take the form of inter-personal conflict between aggrieved individuals. Collective grievances have resulted in collective action designed to confront the state and the agents of the state. Moreover, there are examples of collective action against the state undertaken by aggrieved peasants turning quite violent.

While Kerkvliet (1995: 72-80) provides numerous examples, one is particularly striking. In 1991 in Nam Ha province, a group of villagers wanted to retrieve land that had, in the 1960s, been assigned to an adjacent village. They circulated a petition, but received no official recognition from district officials. In order to make their point, a sizeable number of the villagers took control of the village and, in essence, established their own government. Some villagers used roofing tiles to stone the houses of officials, and a commune official was surrounded by irate villagers who refused to release him until he signed their petition. Some 300 villagers went about destroying the boundary markers that separated the disputed land from the village, and when neighbouring villagers objected, a brawl ensued, during which time several cadres were beaten and rifles seized from the security forces who tried to restore order. The petition was eventually considered by district officials, but they rejected it. The rejection resulted in a tax strike. It is not clear how, but the authorities were able to restore their control over the village. Nonetheless, deep resent-

ments remained, and these resentments were responsible in July 1992 for the death of a villager from the village that controlled the disputed land. The murder resulted in the imprisonment of two villagers and the execution of a third.

Local unrest and uprisings over land have festered into wider discontent regarding the abuse of authority and corruption. This too is a legacy of decollectivization, in that the retreat of the central state during the 1990s has increased the power of local officials even as action by peasants operating outside official channels has increased. Thus, peasants and the local state increasingly intersect. Peasants seek to improve their resource base, while the local state's functionaries have used their increased powers for the purposes of rent seeking. However, resistance against those who are known is often easier than resistance against those who are not known. Thus, local-level corruption has not just generated discontent; it too has mutated into collective action. Once again, Kerkvliet (1995: 78) provides a dramatic example. In 1989 in Thanh Hoa province commune officials' corrupt behaviour resulted in farmers making allegations of corruption. In response, district officials put pressure on them to rescind the allegations. Then, in early 1989 elections took place to choose leaders of two production groups. District officials rejected the choice of the villagers. However, villagers refused to rescind their selection. In June 1989 officers from the security services came to arrest some of the villagers, as well as the two leaders that had been elected. Indignant local people surrounded the eleven officials and prevented them from making the arrests. District and commune officials responded by sending in additional people from the security services to free the trapped officials. According to Kerkvliet, '"thousands" of villagers fought back, using sticks, bricks and anything else they could find'. While it is not known how this confrontation ended, one report took a very critical attitude to the role of CPV officials in the commune and appeared to sympathetically present a set of three demands that the villagers wanted met before they would release the five officials they still held.

Rent seeking by local officials often takes the form of diverting local taxes into personal pockets. Commune governments collect 'fees' and 'contributions' for local services such as water, electricity, education, infrastructure, child assistance, and the local security services to supplement the limited resources transferred to them by district and provincial government. These fees can make up a significant portion of commune revenue—from 32 to 71 per cent in 6 communes that were recently studied (PER, 2000b: 23). How-

om 32 to 71 per cent in 6 communes that were recently studied (PER, 2000b: 23). However, in the raising of these fees, there is no transparency or accountability in either the collection or the expenditure side, and this gives rise to ample scope for corruption and the demonstration of collective action as a means of protest.

Indeed, in rural Vietnam protests over land can facilitate the emergence of collective action that in turn takes on board the issues of corruption and taxation. For example, from 1988 to late 1992 Thai Binh province in northern Vietnam had 50 serious clashes over land, many involving villagers wanting to secede from their commune and their co-operative into new institutions (Kerkvleit, 1995: 78). Corruption and the misappropriation of land may have been an important factor motivating the clashes. This is because five years later in May 1997 in Quynh Phu district villagers reported that thousands of farmers, often led by retired war veterans, peacefully took to the streets in different villages and near the district offices of the People's Committee to protest against corruption. In Vietnam, May is when local fees and contributions are collected by commune officials. Peasants claimed that the number of taxes that they had to pay had risen from 4 to 21, with little to show for the money that they had already contributed except local officials able to live beyond their means (*Far Eastern Economic Review*, 3 July 1997). Farmers demanded a public accounting of where the money that they had contributed to local government had been used. Protests continued off and on for most of the rest of the year, and may have contributed to the outbreak of protests in Dong Nai province, in southern Vietnam, over the appropriation of land, as well as the seizure of 20 policeman by angry villagers in Quynh Hoa district. Both sets of events happened in November 1997, and it was reported that some villages had sent people to Thai Binh to learn protest strategies (*Far Eastern Economic Review*, 2 April 1998).

The protests in Thai Binh may have had repercussions far beyond the confines of the province, or indeed of rural Vietnam. In the month following the protests, the Central Committee of the CPV met to select a new Prime Minister, President and General Secretary. The timing of the meeting was a coincidence, but its outcome may have been affected by the protests. Very little is known about the inner workings of the CPV. However, it would appear that there is a strong culture of regional and interest group consultation and consensus within it, a culture that has been, to a degree, shattered by the impact of market-

oriented reform and the transformation of relations of production (van Donge, White and Nghia, 1999: 23). Deep divisions have emerged between those who place a premium on social stability—often called 'conservatives' or 'ideologues'—and those who place a premium on economic growth—often called 'liberals' or 'reformers'. These divisions may have been magnified by the events in Thai Binh. The evidence for this assertion is that following the Central Committee meeting the only appointment that was made was that of the Prime Minister and he, like his predecessor, appeared to be a supporter of further market-oriented reforms. As such, he was an individual who may have been more acceptable to the protestors. By way of contrast, the view of Do Muoi, the outgoing General Secretary of the CPV was that the protestors of Thai Binh were 'narrow minded reactionaries'. However, when presented with evidence substantiating their complaints, he accepted them, apologized to the protestors, and accused local officials of corruption (*Far Eastern Economic Review* 16 July 1998). The appointment of a new President, one who soon came to show sympathy for the protestors and for market reform, to replace an individual with only lukewarm support for market-oriented reforms, was then made in August. The appointment of a new General Secretary did not take place however until late December 1997, after the protests had subsided. The appointment of Le Kha Phieu, the former political commissar of the army, was widely taken to be indicative of the growing political role of conservative elements based in the army. The concurrent appointment of Do Muoi as 'senior advisor' seemed to reinforce this view. On the other hand, however, at the meeting during which Phieu was appointed the Central Committee of the CPV accepted, after a heated debate and over the opposition of Do Muoi, the argument in support of Resolution 6. Phieu also met with retired Lieutenant General Tran Do, former head of the CPV ideology and culture department and the country's most prominent dissident, who had called for greater democratization as a response to deepening corruption. Finally, Phieu would have had to countenance the visit of the new President to Thai Binh in March 1998. During the visit, the President argued that economic reform had had only limited benefits for rural Vietnamese. He noted that local officials in some regions had embezzled money, that the police in Thai Binh were at fault, and that the root of rural unrest was corruption (*Far Eastern Economic Review*, 5 March 1998). Some 300 local officials were disciplined, the former Chairman of the Thai Binh People's Committee was forced to resign from the Central Committee, a fi-

nancial assistance programme for the province was announced, and a pilot scheme to monitor decisions was introduced.

The sequence of events makes it appear that the rural protests in Thai Binh shook the leadership of the CPV. However, despite the appointment of apparent conservatives to senior positions, the overall response of the leadership to rural unrest does not appear to have been an effort to address the needs of those rendered subordinate in a differentiating agricultural sector. Rather, the response appears to have been to address the needs of the newly emergent Vietnamese rich peasant. Thus, despite the promulgation of Decree 29 on grassroots democracy, which was undertaken in the wake of Thai Binh, and despite the CPV jailing hundreds of members, expelling thousands of members, and disciplining tens of thousands of members for corruption, the most important state initiative taken in agriculture in the late 1990s was Resolution 6. Resolution 6 accepts the accumulation of land, and moreover offers tax relief to accumulating farmers. Indeed, when the Central Committee of the CPV met in December 1997 and agreed to allow farmers to create larger, more machine friendly farms, the penultimate page of the document stated the need to 'allow them to become rich' (*Far Eastern Economic Review*, 12 February 1998). In this light, it would be interesting to explore the dynamics of rural politics in the 1990s, and in particular the role played by rich peasants with respect to the actions of both small peasants and the state. This is because the actions of the state seem to support the ascendancy of the rich peasants, and yet it is not clear whether rich peasants take part in rural protest. Clearly, there is a need for further research in this area.

The emphasis on the need for larger, more efficient farms has recently been repeated by the state and by the CPV (World Bank/Asian Development Bank/United Nations Development Programme, 2000). However, it is unlikely to quell rural unrest. Certainly, the discontent expressed by the villagers in Quynh Phu is felt in much of rural Vietnam. Thus, in October 2000 angry peasants protested in central Hanoi against corruption (*The Economist*, 11 November 2000). Meanwhile, in central Ho Chi Minh City, hundreds of peasants camped out over a 6-month period, angry at being displaced from their land. Their banners and placards are highly critical of official decisions, invoked the words of Ho Chi Minh, but did not directly criticize the government. The security forces forcibly ended the protest the day before the arrival of US President Bill Clinton. Then, most notably, in early

February 2001an estimated 5000 peasants from ethnic minorities took to the streets in Daklak and Gia Lai provinces for four days (*Far Eastern Economic Review*, 1 March 2001) in the most significant act of rural unrest since unification.

The principal grievance of what were apparently co-ordinated protests was the expropriation of land in the two provinces in order to create coffee plantations under the control of lowland migrants. The protestors demanded the return of 'their' land, and indeed attacked some of those they accused of encroachment. They also blocked the national highway linking the two provinces by overturning vehicles, and attacked a post office. When the security forces responded with riot police, helicopters and water cannon, the protestors took their grievances to the communes, raiding local offices of the government and, in some instances, destroying public property. The security forces responded by cracking down on the countryside, in order to prevent People's Committees being overthrown. It took several weeks for the state to regain control of the situation, during which time movement into and out of the provinces was restricted. In September 14 people received jail sentences of between six and 12 years for taking part in the disturbances (*Vietnam News* 27 September 2001, 28 September 2001).

As was the case with the Thai Binh protests, the central highlands uprising clearly shook the CPV leadership as it prepared for its 9th Congress. It weakened the hand of the General Secretary, who was by this time struggling to retain his position after three problematic years. In so doing, it opened the door for the elevation of the Chairman of the National Assembly, Nong Duc Manh, himself a member of a northern ethnic minority and a clear reformer, into the position of General Secretary at the Congress. Buttressing this change, the prime minister and president, both known reformers, agreed to stay in their posts, even though the former had for some time indicated his desire to step down. Moreover, in order to strengthen the position of reform, the Congress eliminated the Standing Committee of the Politbureau, an inner cabinet that had been dominated by more conservative voices. Thus, as in Thai Binh 4 years previously, the protests had a clear political impact. However, if previous experience of rural politics and collective action in Vietnam in the 1990s is any example, the peasants in Hanoi, Ho Chi Minh City, Daklak and Gia Lai may have been dispersed, but they have not been satisfied. Given ongoing processes of

peasant class differentiation, emerging landlessness, and proletarianization, more rural unrest is likely.

4. CONCLUSIONS

Ho Chi Minh once said 'peasants believe in facts, not theories' (quoted in Langguth, 2000: 36). This article has attempted to examine the 'facts' of the process of agrarian transition in Vietnam over the last two decades. The article began by critically evaluating the concept of transition and offering a definition of agrarian transition that emphasized the interrelationship between transformations in property rights, the agrarian production process, agrarian accumulation, dynamic productive efficiency, and rural politics. Using these 'parameters of transition', this article has demonstrated the radical restructuring of rural relations of production that occurred in Vietnam during the 1980s and 1990s and has demonstrated the impressive supply response that followed. It has indicated that asset differentiation in rural Vietnam has been proceeding, and that along with such differentiation has emerged differences in the technical coefficients of production witnessed amongst farms. There has been a bifurcation in the Vietnamese countryside, between a small emergent class of rich peasants that own more land and use more capital intensive production methods, and the majority small peasants, that own small amounts of land and use more labour intensive production methods. These changes have not only unleashed agrarian production. They have also, not surprisingly, led to the growth of differences in productivity, with rich peasants being apparently more productive per unit of land than small peasants. It was moreover demonstrated that rich peasants are more likely to be more deeply integrated into market relations than small peasants, and thus while the shift to generalized commodity production remains incomplete it is ongoing. The apparent hardening of the role of the law of value in rural resource allocation, production and distribution suggests that an agrarian transition, in the sense already defined, has started in Vietnam. Finally, the possible cumulative impact of the agrarian transition on rural politics was discussed.

In Vietnam, the World Bank, the state, and the CPV have all stressed the need to diversify agricultural production and develop rural non-farm employment (World Bank, 1998). As stated by the World Bank, the Asian Development Bank, and the United Nations Development Programme (2000: 12), 'Vietnam needs to adopt the seemingly paradoxical

stance of giving a high priority to raising agricultural productivity while recognizing that success can come only as agriculture declines as an employer of labor'. The findings of this article suggest that this enthusiasm for rural diversification should be considered within the context of the processes underpinning rural restructuring. A process of agrarian transition is underway in Vietnam, and processes of peasant class differentiation are taking place. The enthusiasm for diversification suggests that the World Bank, the state, and indeed the CPV support those rural households that they believe are most capable of fostering a further supply response in agriculture, and that those households are rich peasants. A strategy that focuses upon the rich peasants is not however without risks. While it may be a rhetorical flourish to claim that 'landlords are taking back the land'[5], there is ample evidence to suggest that with processes of peasant class differentiation come increasing landlessness, proletarianization and inequality for the small peasants that make up the vast bulk of the rural Vietnamese population. There is also ample evidence to suggest that those who believe that they have lost out in the process of agrarian transition will not simply remain quiet, but will instead actively resist their marginalization. Given that rural politics is both shaped by and shapes rural production and accumulation, there is still ample scope for rural politics to reconfigure the parameters of Vietnam's agrarian transition. In this sense, then, the outcome of that transition remains unclear.

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[5] A comment from a former soldier in Bac Thai province, worried about the impact of growing concentration of land, quoted in Kerkvliet (1995): 73.

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6. FIGURES AND TABLES

Figure 1: Per capita foodgrain availability, 1961-1997

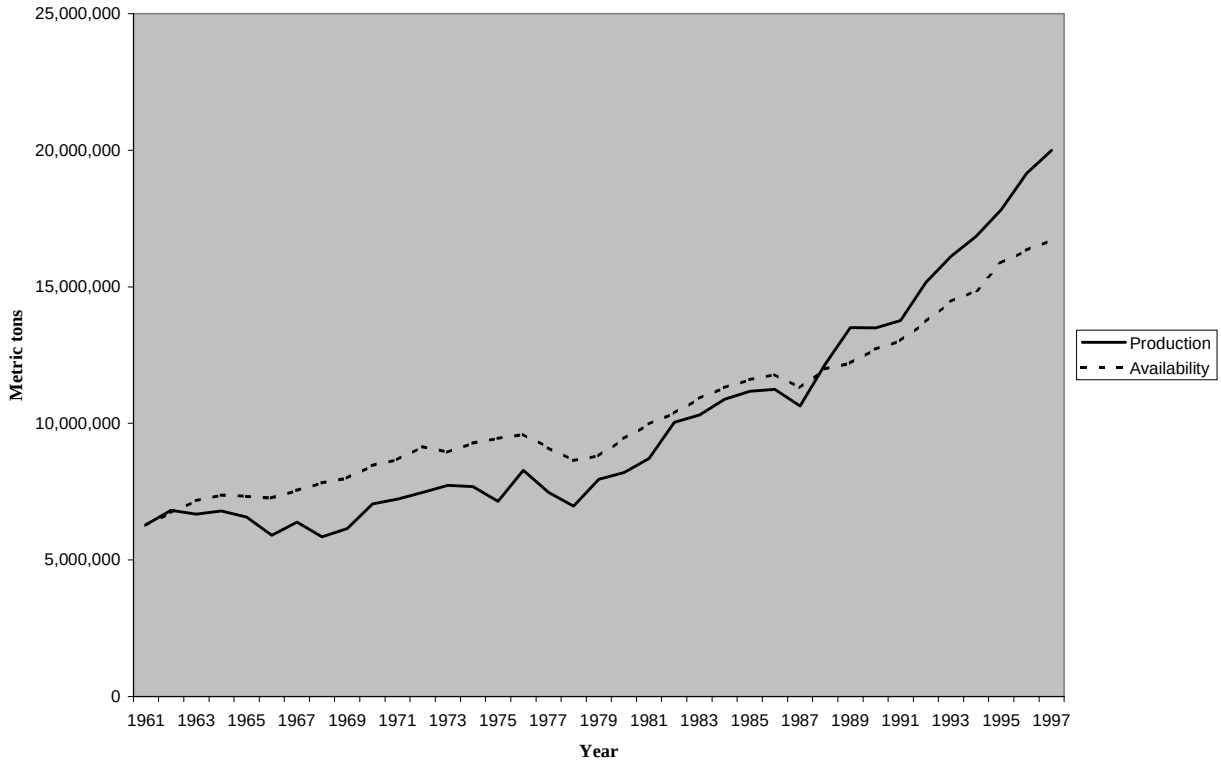
Source: author's calculations from Food and Agriculture Organization, 1999[6].

[6]. Production data obtained from the Food and Agriculture Organization's web site for the pre-1975 period is for both the northern and the southern halves of Vietnam. This data appears to be the only available consistent agricultural data set for the entire of Vietnam from the early 1960s to the present.

Figure 2: Foodgrain import dependency, 1961-1997

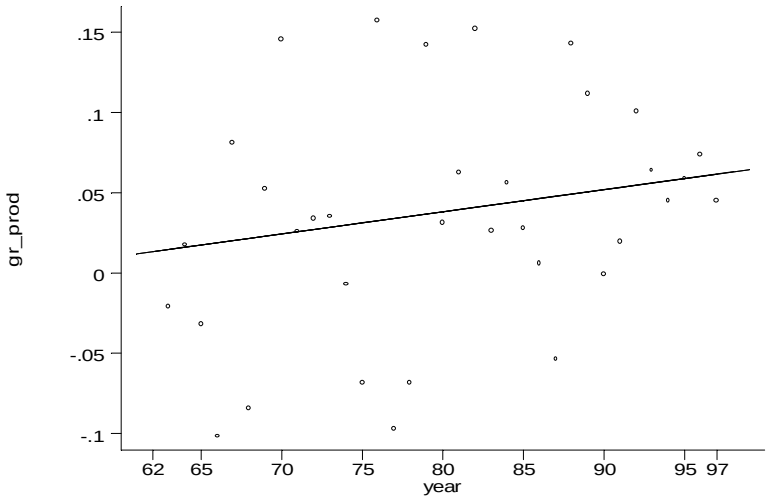
Source: author's calculations from Food and Agriculture Organization, 1999.

Figure 3: Foodgrain production and availability, 1961-1997



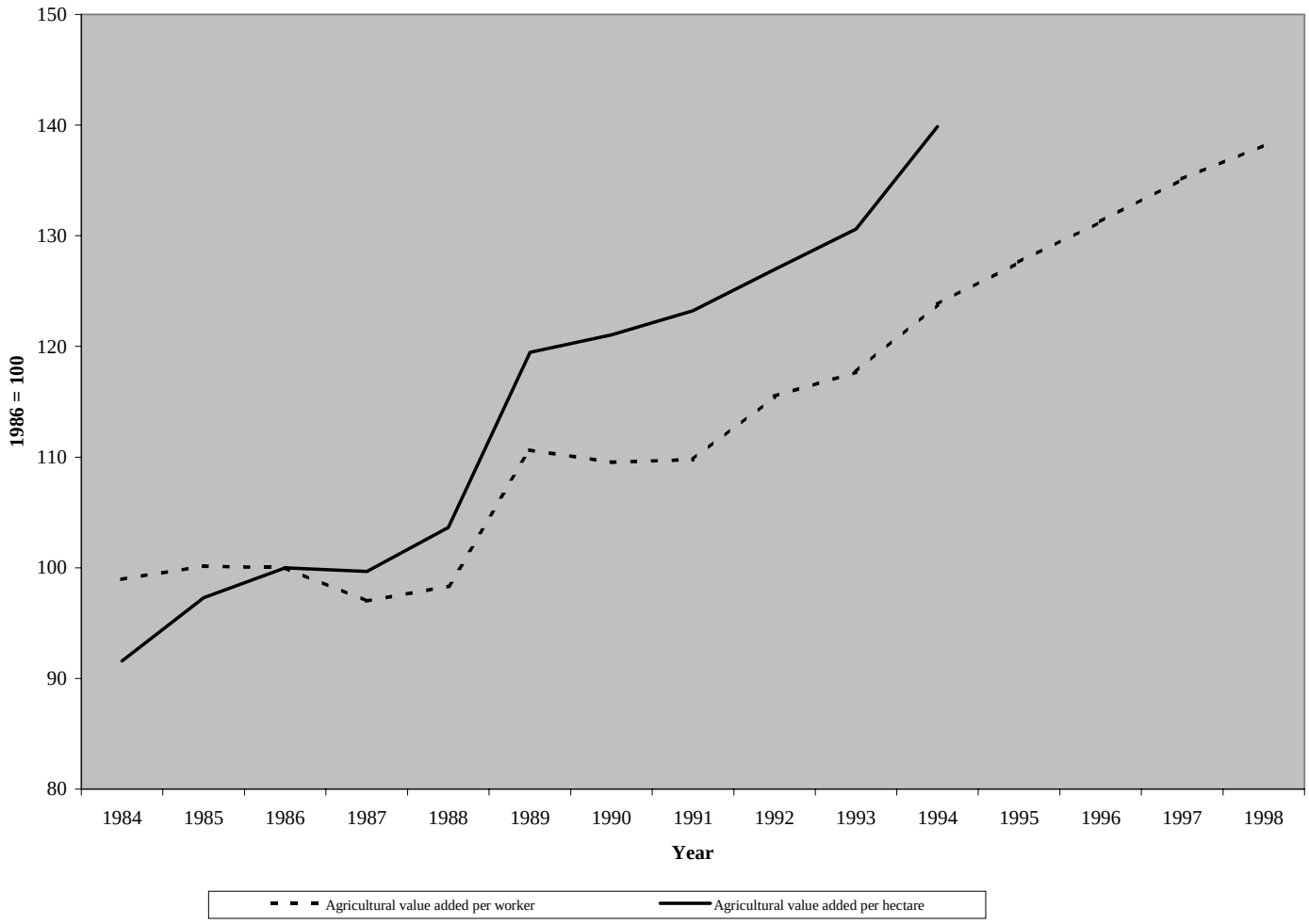
Source: author's calculations from Food and Agriculture Organization, 1999.

Figure 4: Growth rates in foodgrain production, 1962-1997



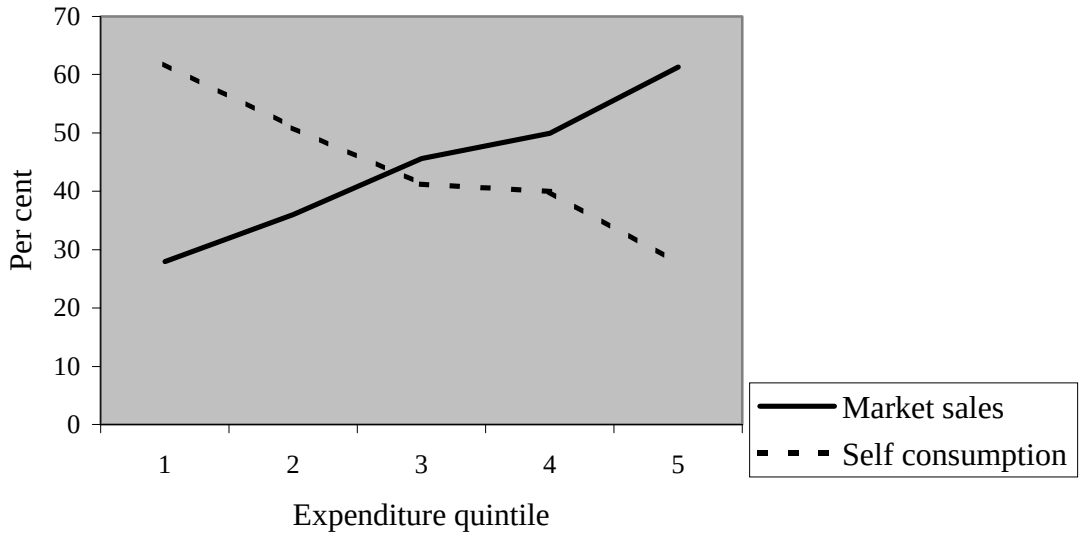
Source: author's calculations from Food and Agriculture Organization, 1999.

Figure 5: Agricultural productivity, 1984-1998



Source: World Bank (2000a).

Figure 6: Market integration in Vietnamese agriculture, 1998



Source: GSO, 1999.

Table 1:
The productivity of co-operative agriculture in the Red River Delta, 1979

Size of co-operative in hectares	Rice yield, kg per hectare	Total income per hectare	Value of marketed food crops per hectare	Value of 'net surplus' per hectare
310-400	2261	2685	565	408
401-500	2009	2179	511	86
Above 500	1803	2055	466	73

Source: adapted from Que, 1998: Table 3.2

Table 2:
Landholdings for all households with agricultural land in square metres, by expenditure quintiles, 1998

	Area of landholdings		
Expenditure quintiles	All land	Annual crop land	Perennial crop land
I (poorest)	6437	3600	613
II	6953	3928	845
III	7138	4625	1016
IV	6928	4414	1485
V (richest)	9856	5081	3527

Note: Landholding includes land rented-out but excludes land rented-in
Source: PWG, 1999: Table 2.5.

Table 3:
Public investment in agriculture, 1992-1998

Year	Public investment as a % of GDP	Public agricultural investment as a % of GDP	Public investment as a % of the government budget	Public agricultural investment as a % of the government budget	Public agricultural investment as a % of agricultural GDP
1992	Not available	0.77	Not available	4.13	2.30
1993	Not available	0.63	Not available	3.14	2.16
1994	Not available	0.98	Not available	4.60	3.47
1995	5.5	1.27	22.84	5.73	4.46
1996	6.3	Not available	26.52	Not available	Not available
1997	6.7	0.88	29.12	3.79	3.36
1998	7.1	0.99	32.64	4.79	3.73

Source: interpolated from PER (2000b): Table 1.1 and 3.2

Table 4:
Key indicators of production inputs

Input	1979-1981	1995-1997
Arable land per capita, in hectares	0.11	0.07
Land under cereal production, in thousands of hectares (*)	5963	7799
Irrigated land as a share of cropland	24.1	31.0
Fertilizer use per hectare of arable land, in hundreds of grams	302	2566
Tractors per 100 hectares of arable land	38	178

Note: (*) is for 1996-1998.
Source: World Bank, 2000a: Table 3.2.

Table 5:
Crop cultivation expenses by expenditure quintile, 1993 and 1998

	Total expenses = 100							
1993 Expenditure quintile	Seed	Chemical fertilizer	Organic fertilizer	Insecticide	Transport	Services	Equipment rental	Labour hiring
I	34.45	44.31	0.28	6.60	0.19	7.09	5.07	2.03
II	27.11	47.89	0.48	7.92	0.30	6.31	6.02	3.97
III	24.58	47.64	0.74	8.63	0.46	5.34	7.24	5.38
IV	23.62	45.03	0.84	9.42	0.58	4.02	6.89	9.60
V	20.13	41.04	1.21	9.24	1.06	2.09	8.49	16.73
1998 Expenditure quintile								
I	23.07	45.85	0.30	8.53	0.52	8.75	10.24	2.74
II	19.59	42.40	0.32	10.03	0.63	10.45	11.62	4.96
III	18.16	40.72	0.93	9.88	0.71	10.99	11.97	6.63
IV	15.85	36.55	3.26	9.30	0.76	12.49	12.49	9.30
V	10.73	22.25	0.87	6.41	0.69	11.94	36.65	10.47

Source: GSO, 1994: Table 5.2.10; GSO, 1999: Table 5.2.10.

Table 6:
Accounting for agricultural growth, 1976-1995

	Contribution to output growth						
Period	Gross output growth	Sown area	Labour	Fertilizer	Livestock	Machinery	Factor productivity
1976-80	2.03	1.57	0.74	-1.36	0.09	1.16	-0.17
1980-84	6.57	0.32	0.92	3.31	0.38	0.54	1.11
1984-88	2.40	0.51	0.66	0.15	0.44	-0.75	1.38
1988-95	5.03	0.97	0.65	0.97	0.22	2.18	0.02

Source: Jansen (1998): Table 2.

Table 7:
Paddy productivity by expenditure quintiles

	Total output, 00s of kilos per hectare	
Expenditure quintiles	1993	1998
I (poorest)	29.28	33.7
II	30.89	38.4
III	31.91	39.2
IV	32.53	40.9
V (richest)	31.24	41.1

Source: GSO, 1994: Table 5.2.5; GSO, 1999: Table 5.2.4.

Table 8:
Rice exports, 1990-1998

Year	Quantity (000 tons)	Price (US$/ton)	Value (US$ million)	Value as a share of merchandise exports (%)
1990	1455	187	272	15.7
1991	989	228	225	11.0
1992	1860	161	300	12.1
1993	1725	210	363	12.2
1994	1950	220	429	10.6
1995 (revised)	2052	268	549	10.6
1996 (revised)	3003	285	855	11.7
1997 (revised)	3553	245	870	9.5
1998 (preliminary)	3749	273	1024	10.9

Source: World Bank, 2000c.

Table 9:
Gini coefficients for Vietnam, 1978-2000

	1978	1981	1984	1990	1993	1998	2000
All Vietnam			0.30		0.33	0.35	0.38
Mekong Delta		0.30		0.35			
Red River Delta	0.25			0.25			

Source: Tuan, 1997: Table 5.5; Dollar and Litvack, 1998; PWG, 1999.

Appendix Table A1:
The agricultural reform process, 1979-1998

Policy measures	Objectives	Main features	Impacts
The 1979 sixth Party plenum on 'some urgent problems in improvement of economic management'	To encourage all co-operatives to fully utilise available resources to boost output and help overcome economic difficulties and food shortages	1. Recognizing the importance of economic incentives in economic development 2. Widening the autonomy of co-operatives 3. Accepting aspects of a market economy such as market-determined prices	The Do Son experiment was recognized and other co-operatives were allowed to experiment in contracting out land to members for family production. Food production recovered.
Directive 100 of 1981 on 'Output contracts to labour groups and individuals'	To provide more economic incentives to farmers so that the efficiency of resource use improved, output would grow, and the 1980 food crisis would not be repeated.	The co-operative contracted out land to households against an output quota to be returned back. The co-operative retained overall control of the production process. Income distribution shifted from a per head quota to a labour force participation basis.	Farmers received greater freedom to allocate family labour and dispose of output in excess of the quota. Famers' income improved in both cash and kind.

The 1983 Agricultural Tax Ordinance	To unify and rationalise the tax base across the country, to encourage farmers to utilise fallow land, and to expand cropped area by both extensive and intensive means.	Agricultural tax shifted from a focus on output and area to a focus on quality, area and average yield. The tax was in paddy, and the rate was fixed at 10 % of average output for 5 years. Reclaimed land was not subject to tax for 3 to 5 years.	The total sown area increased. Fallow land was brought back into use, and land was reclaimed for annual and perennial crops.
The 1986 *doi moi* (renovation) programme	To transform a centrally planned economy into a state-regulated market economy, in order to surmount an ongoing economic and social crisis.	The state officially recognized the co-existence of five economic sectors: state, state capitalist, capitalist, co-operative and private. The leading role of the state sector, and the regulatory role of the state, was emphasized.	Agriculture slowed into stagnation, due to inappropriate incentive structures and natural calamities.
The 1987 partial liberalization of food trade	To create a national food market capable of meeting planned food consumption targets by smoothing the flow of food across the country, subject to state control.	The abolition of the policy of district level food self-sufficiency in place since the late 1970s. State companies retained their monopoly in the inter-provincial shipment of food.	Food imbalances were reduced across the country as food production in surplus-producing regions was encouraged. Transaction costs in food trading were greatly reduced.
Resolution 10 of 1988 on 'Renewal of economic management in agriculture' and Resolution 6 of 1989 on the farm household	To overcome the food crisis of 1987 and early 1988, the management and production of agriculture was to be radically reorganized to encourage rapid growth by transforming the existing structure into a diversified, commodity-based agriculture.	The farm household formally became the basic economic unit in the rural economy, with co-operatives acting to support farm households. Co-operatives contracted out land to farm households for 15 years for annual crops, and 40 years for perennial crops. Capital stock and working capital were rented or bought by farm households from co-operatives. Farmers had to pay agricultural taxes and irrigation fees to the government. Output quotas are retained, but eased, allowing farm households to keep a minimum of 40 per cent of average output. The quota was fixed for 5 years. Private food marketing was explicitly recognized.	The food crisis ceased. Farmers gained greater control over the allocation and utilization of land, labour and financial resources, and collective agriculture quickly lost its meaning.

The trade and price liberalization of 1989	To end the subsidy regime used in the economy, and thus further spur the growth of the market.	Most macro- and micro-economic prices were liberalized, albeit to a differing extent. The quota procurement system was ended. Price controls were ended. The exchange rate was devalued. Positive real interest rates were introduced. Internal trade was liberalized. The private sector was allowed entry into a wider range of business activities, except strategic sectors. The private sector was allowed entry into international trade, except in strategic goods such as rice and fertilizer.	Agriculture grew rapidly, and in particular rice production, transforming Vietnam from being a net rice importer into being the third largest rice exporter in the world. Farm incomes increased, and rural living conditions improved in absolute terms.
The rural financial reforms of 1990 to 1995, and in particular the authorization of lending to rural households in 1993.	The Vietnam Bank for Agriculture and Rural Development (VBARD) was established in 1990 to meet the growing credit needs of farmers, traders and agribusiness. The People's Credit Funds (PCFs) were established between 1993 and 1995 to mobilize idle savings by providing local access to savings institutions, and to provide local access to credit for borrowing households and businesses. The Vietnam Bank for the Poor (VBP) was established in 1995 to contribute to hunger eradication and poverty alleviation.	The VBARD took over the State Bank of Vietnam's (SBV) rural network of branches and expanded it. Acquiring credit from the VBARD required collateral, and land use certificates were the most commonly accepted form of collateral. Mass organizations were widely used to distribute credit and collect repayments, in order to reduce transaction costs and risk. PCFs are member-owned and seek to recover the costs of their operation. The VBP is a non-profit bank that operates through the VBARD network but which receives support from the SBV, in that it operates using SBV-subsidized interest rates.	Private credit's share in total credit rose from 10 % in 1991 to 82 % in 1995. Increasing numbers of farms got access to credit, allowing them to sustain the expansion of production, and develop processing, storage and transport capacities. This speeded up the commercialisation of agriculture in both the domestic and international arenas. The PCFs and VBP allow many to escape from poverty.
The 1993 Land Law and the 1993 land use tax ordinance	To provide farm households with more rights over contracted land, and in particular to secure long-term tenurial arrangements, in order to improve the allocation and utilization of land, encourage investment, and increase the reclamation of land.	Land tenure was extended to 20 years for annual crops and 50 years for perennial crops. Farm households could exchange, transfer, lease, inherit and mortgage land use rights. Households were limited to 3 hectares per farm for annual crops. Agricultural land use tax was reduced	The total sown area increased, especially for perennial, industrial and export crops. Investment in land increased, boosting fertility and yields. The two contributed to high agricultural growth rates.

		from an average of 10 % of yearly output to 7 % of yearly output. Perennial crops farmed on newly reclaimed land were exempted from tax.	
The Price Stabilization Funds (PSFs) of 1993.	To stabilize agricultural incomes and consumer supplies during periods of sharp price fluctuations.	Exporters and importers were subjected to an excess profit tax. The government used these revenues to subsidize credit for state-owned enterprises (SOEs) so that they would continue to procure when farm gate prices fell and transport inputs and outputs to remoter, food deficit and disadvantaged regions.	The procedures for releasing the revenues to the SOEs were complex. Moreover, those SOEs that received resources were not those that bought and sold agricultural inputs and outputs to and from farmers. Thus, the results were poor.
Decision 250 of 1998	To allow private companies to export rice	A proportion of the rice export quota was to be licensed to five private companies.	State owned enterprises remained dominant in rice exports.
Resolution 6 of 1998 on the farm economy and the 1998 Land Law	To recognize the position of farm households operating holdings in excess of the legal 3-hectare maximum by legalizing the role of land accumulation and larger scale farms in the agricultural sector.	The operation of the land market was further clarified, with provisions regarding the leasing, transfer, and accumulation of land in excess of 3-hectare ceilings. Legal restrictions on the hiring of labour were to be removed, with negotiable salaries between employers and employees. Income tax rates for large-scale farms were to be cut from 30 % to 5 %.	Too soon to say.
The agricultural trade liberalization of 2001	To end the rice export quota and the fertilizer import quota	All firms were to be allowed to export rice and import fertilizer.	Too soon to say.
Source: adapted from van Donge, Whie and Nghia, 1999; *Vietnam Investment Review* (various issues).			